THE ROYAL BANK OF CANADA

Annual Report
1978

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For the year ended October 31st	1978	1977	Increase
Balance of Revenue after Taxes (thousands)	**$233,902**	$168,822	**38.5%**
Dividends (thousands)	**$57,264**	$50,495	**13.4%**
Balance of Revenue after Taxes Per Share			
1st quarter	**$1.41**	$1.22	**15.6%**
2nd quarter	**$1.43**	$1.05	**36.2%**
3rd quarter	**$1.47**	$1.07	**37.4%**
4th quarter	**$2.08**	$1.27	**63.8%**
Full Year	**$6.39**	$4.61	**38.5%**
Dividends Per Share	**$1.56½**	$1.38	**13.4%**
At October 31st *In millions*			
Assets	**$40,905**	$34,350	**19.1%**
Loans	**$25,447**	$21,819	**16.6%**
Securities	**$4,565**	$3,403	**34.1%**
Deposits	**$36,991**	$31,380	**17.9%**
Capital	**$1,818**	$1,515	**20.0%**
Number of			
Shareholders	**31,503**	32,276	**(2.4%)**
Shares Outstanding	**36,590,400**	36,590,400	**—**
Employees	**35,660**	35,335	**0.9%**
Branches	**1,600**	1,595	**0.3%**

Contents

This Annual Report is the last one covering a fiscal year for which I was responsible as Chief Executive Officer, and it is thus the last Report I have the pleasure of presenting.

At a meeting of the Board of Directors held immediately after the annual general meeting on January 11, 1979, I relinquished the position of Chief Executive Officer of the Bank. I am, however, continuing in my capacity as Chairman of the Board of Directors.

Rowland C. Frazee, who has been President of the Bank since 1977, has assumed the responsibilities of Chief Executive Officer. Mr. Frazee's vast experience with the Bank, his leadership abilities and his distinguished reputation in Canada and abroad are important assets which he brings to the post. As immediate past president of the Canadian Bankers' Association, his contribution to the banking industry in Canada has been outstanding. As I told those present at the annual general meeting: "The Bank will be in experienced and capable hands."

During the eighteen years in which I served as Chief Executive Officer, I have been proud to lead the Bank and its staff while it was expanding into so many new endeavours and areas of operation both in Canada and around the world. During those eighteen years, I have seen many changes, and the Bank has grown tenfold. I claim little credit for this, as I have always believed that success comes most often to those who work as part of a team. I looked upon my role not so much as one of "running" the Bank, but rather as one of setting the overall direction and creating an atmosphere in which the Bank's staff were stimulated to contribute not only their energy but their initiative. The Bank's growth and success during the period were made possible by the support of the many people in

W. Earle McLaughlin, Chairman of the Board, left, and Rowland C. Frazee, President and newly appointed Chief Executive Officer.

the Royal Bank "family"—staff, clients and shareholders alike.

In those eighteen years, banking in Canada has changed considerably. Having started my tenure as Chief Executive Officer under one version of the Bank Act, I have participated in the discussions leading up to two subsequent revisions, including one currently underway. Undoubtedly the new Bank Act will have important effects upon the conduct of banking in Canada, as did the previous changes. The same eighteen years also saw the introduction of computers to banking, and today automation is widespread and the future will see even more significant changes in this area.

Two things have remained constant, however. The first is that banking is, in my view, a most fascinating business. It is involved in so many different aspects of the life of individuals and the community that it is continually interesting. The second is that banking is a "people" business—a worthwhile way of helping people.

I believe these two points will be borne out as you read through this Annual Report, for in it we attempt to give our shareholders and friends a broad and meaningful picture of the Royal Bank, its people and its business. I am proud of the Bank, and I hope this Report will lead you to share this feeling.

W. E. McLaughlin.

W. Earle McLaughlin
Chairman of the Board

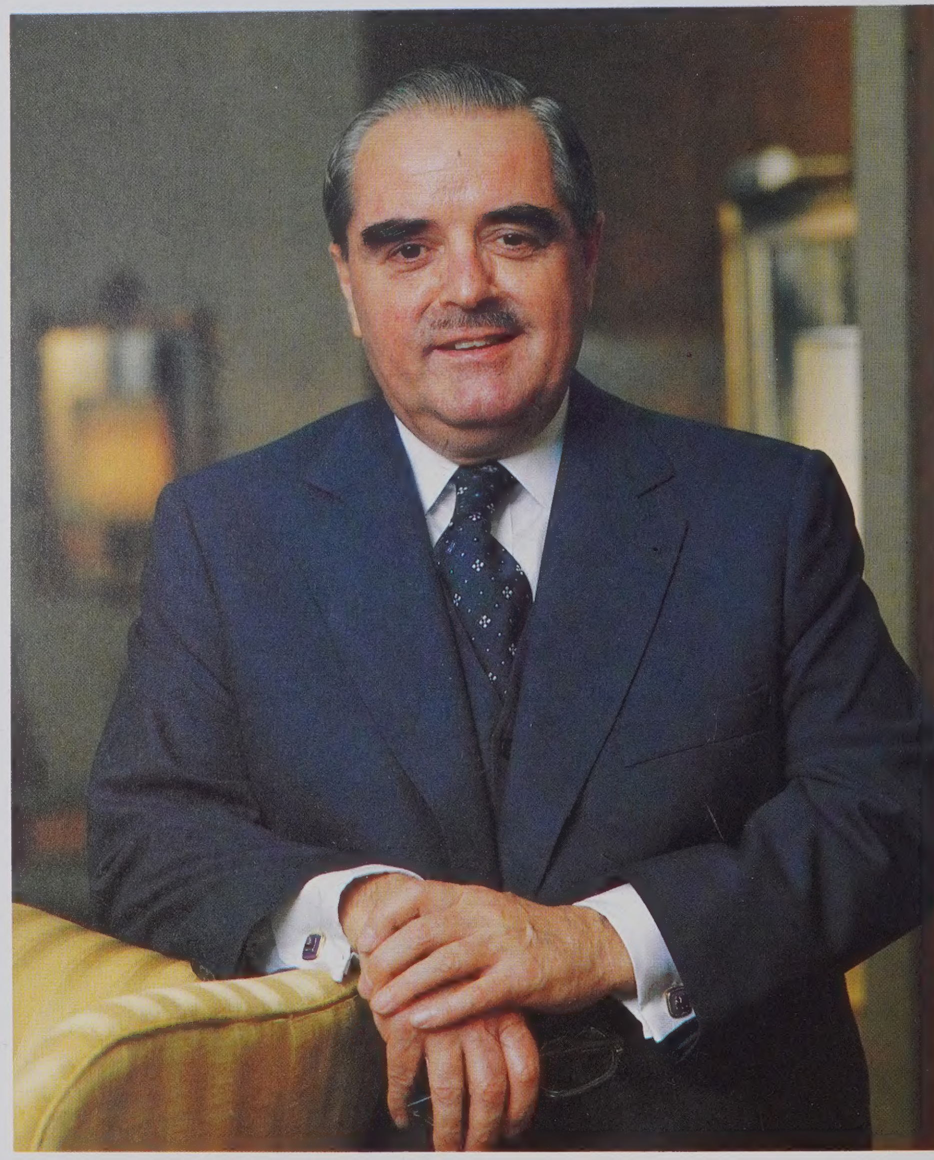
From left: W.D.H. Gardiner, Vice-Chairman, Toronto, J.K. Finlayson, Vice-Chairman, Montreal, and H.E. Wyatt, Vice-Chairman, Calgary.

In the past year, we vigorously pursued our efforts to identify and meet our customers' needs. Both in Canada and abroad, our business grew substantially. Total assets, at year end were $40.9 billion, up 19% from a year ago. After-tax balance of revenue, at $233.9 million, was 38.5% higher than the previous year. For a detailed analysis of the financial results, please refer to the latter section of this report.

By happy coincidence, I am assuming the responsibilities of Chief General Manager in a year which saw our financial results take a material upturn. Even though I must give all the credit for these improved circumstances to a fine effort by our staff, nothing fires personal enthusiasm better than to start on the rise. By yet another coincidence, we are due a new Bank Act at this point, the decennial revision by government authorities having reached the stage of draft legislation. A new Bank Act which always brings a series of changes in banking operations, a new stewardship and a good year together constitute an irresistible invitation to review our operations, update and define our plans.

I therefore intend to put the report on last year's results in the context of the kind of banking The Royal Bank of Canada is involved in today, and to show how we constantly strive to correct our course as required to reach our basic goal. In spite of changes in the types of services we offer, in the methods of delivery we use and in the techniques of management we have adopted to meet the challenges of today, this basic goal remains the same: to succeed as a sound and dynamic service organization, a responsible employer and one of our country's major economic contributors.

In our endeavours, our success depends above all on the first class people who operate our Bank. We are fortunate to be able to call upon a wealth of human resources from the tellers on the front line, to the branch managers, to the management teams across the whole system. Without them nothing, however cleverly planned, could be achieved. Our people need endless flexibility and industry to meet the various demands made on their skills. They demonstrate over and over again, through increasingly complex situations, that they are ready to give their best. During the past year, one of the challenges they faced involved cutting back on the rate of increase of non-interest expenses. Our staff not only achieved a reduction of growth of these expenses to below 12%, but our rate of increase was the lowest in the industry. Without our people's goodwill, effort and competence, our results would have been considerably different.



R.A. Utting, Executive Vice-President and Chief General Manager.

Retail Banking

It is in retail banking particularly that our people make the difference. In Canada, this is where we serve the greatest number of people. We use the term "retail banking" to describe the various loan services we offer, such as personal, Termplan and mortgages, and the various deposit services such as regular chequable savings accounts, Bonus Savings, personal chequing, term deposits. We also make available Retirement Savings and Home Ownership Savings Plans. In addition, we offer service packages such as Royal Certified Service, a mix of the Bank's products from Chargex/Visa to unlimited chequing without individual charges, to Traveller's cheques—the whole for a flat monthly fee. Retail services also include such programs for particular interest groups as our Sixty Plus or youth savings.

The Royal Bank is the largest Canadian chartered bank. The reason Canada has some very large banks is that size carries with it natural economic advantages. Large banks grew that way because they served the needs of the country. For example, through efficient competition in prices and services, banks have increased their share of total consumer credit outstanding to close to two thirds over the last decade. Also, in residential mortgages, a field in which the banks were not actively involved until the 1967 Bank Act revision, the banks have come to occupy about a third of the market. And yet, overall competition in the financial field remains strong. The proof is that although banks increased their consumer business, their share of Canadian deposits held in financial institutions has been declining. This seems to suggest that it is the accessibility of our services in various communities through our branch system which has brought us consumer loan and mortgage business, and that our success is not the result of any undue impact our size has on competitors in the financial services field.

In these two examples, we can say with assurance that Canadian consumers benefited from amendment to the legislation which permitted banks to compete against traditional lenders. Interest rates, notwithstanding their occasional rise at the signal given by the Bank of Canada for monetary policy reasons, are still lower for consumer loans and for mortgages than they could otherwise have been.

The Branch System

I can say with equal assurance that the banking system of today is a national asset. Allow me to outline further how The Royal Bank operates within that system.

Whereas the last decade saw the Bank increase the number of services made available to personal customers and multiply the innovative methods of tailoring these services to their needs, this decade will see us concentrate on perfecting our methods of dispensing these services to serve our markets even better. We aim to deliver quality services to our customers in the best possible envir-

onment. This involves streamlining the operations of our branch network, and ensuring that the special talents of retail banking staff are utilized in the fullest way possible. In this they will undoubtedly be assisted by the advances we make in electronic and automated processing which reduce the drudgery of former methods and improve service.

By so doing, we hope to strengthen our branch system even further. It is the mainstream of our banking operations. Reaching deep into the heart of Canada, our branches not only serve Canadians wherever they choose to settle, but keep us in touch with consumers on a country-wide basis. This gives further support to the principle that a national banking system is vital to our country's development. Whether helping individuals to save or borrow for present and future needs, or helping enterprises to retain or create employment, the branch system fosters a country-wide movement of funds, putting savings to work where they can be maximized. Meanwhile, savings held by Canadians individually in their own region are both secure and enjoying steady return. However, the Bank's records show that over the century, the number of investment opportunities has often lagged behind our savings rate in various regions at various times. We have been a nation of great savers, it would seem that we must also strive to be as great a nation of entrepreneurs.

To give you an idea of the volume of transactions our branches process, I would like to quote some figures from last year's results. The Bank cleared 3.8 million cheques a day through the system. It handled $4.4 billion in outstanding consumer loans of various kinds, servicing over a million accounts, and more than 2 million Canadians have availed themselves of the convenience of the Bank's Chargex/Visa program, generating more than $1.2 billion in sales.

Mortgages

Through our mortgage programs the Bank helped 36,000 Canadians to finance homes in 1978, for a total of $1.4 billion; since the revision of the Bank Act of 1967 which permitted banks to enter the field actively, The Royal Bank has supplied 238,000 Canadians with mortgages, channelling some $7 billion into private home ownership. The Bank's philosophy in the mortgage field is simply to consider home ownership applications of all types to enable Canadians to acquire homes, whether new or existing, detached or terraced or condominium.

The funds which are made available for mortgages come partly from investors who are willing to choose this mode of investment because the yields are attractive. It follows therefore that competitive interest rates must attract these investors in order to ensure a good supply. When general interest rates rise, whether under the influence of the Bank of Canada's monetary policy or market conditions, mortgage rates must rise also. Otherwise, the investments will be attracted to more rewarding opportunities and the supply of money available for housing will diminish. A comparison of rates offered by other, more traditional, institutions shows that The Royal Bank's rates are competitive. Meanwhile, the volume of business generated underlines the importance of the role the Bank plays in the mortgage field today, in helping to ensure an adequate supply of mortgage money.

Termplan

The recent major development in our Termplan consumer loan services was the introduction of a flexible rate program. This means that instead of one or two fixed rates, branches can now provide customers with life insured Termplan or special purpose loans where the interest rate is tailored to the circumstances of the applicant.

Last year in particular had seen lower loan rates offered by a number of non-banks. They may offer lower interest rates on loans, since they are not required to hold reserves with the Central Bank, or pay taxes as we do, or offer our full range of services. They could undersell the Bank under the old fixed rates, in some cases by as much as 1% to 1½% for an average loan. Our new program allows us to compete on a loan to loan basis.

Commercial Banking

Our average branch managers have far more to cope with than their predecessors of ten or fifteen years ago. The rapid expansion of the banking system, the introduction of new services and so on have multiplied the challenges. We have been very conscious of this. Moreover, when we consider the great diversity of needs of commercial businesses, it may be unreasonabe to expect that all bank branch managers should be experts in each and every field. Having this in mind, in the early 1970s, we established International Centres in each of the Bank's districts in order to service the needs of customers involved in international trade. We aimed to make the experience of specialists available where the average branch was not in a position to provide it. These centres are support units for our branches and deal with foreign currency purchases, foreign collection, letters of credit and so on.

In a somewhat similar fashion, during the past two years, we have established units which we call commercial banking centres. The principal objective is to provide existing and potential clients in a specific trading area with a more highly specialized kind of banking expertise which, while designed to meet borrowing and other requirements, is not necessarily an essential ingredient in the make-up of all our branches. We have launched three pilot projects, each offering a different method of delivering the services, a different physical environment and facilities. While it is still early in the development of this concept, we are greatly encouraged by the reaction of our customers.

We have also developed in recent years a number of service packages for our commercial banking customers with the help of experts in various fields. Our extensive agribusiness sector is an example, with its integrated approach to the needs of farmers who can avail themselves of 25-year amortized mortgages for land, building and debt refinancing, and loans with terms up to 15 years, covering the short, medium and long term requirements of their particular business. Farm loans by banks have more than tripled in the last ten years, rising to $4.5 billion. The Royal Bank's share is approximately a third of this total.

I would also like to underline three special commercial banking services offered through subsidiary companies: leasing, factoring and venture financing. Our wholly owned subsidiary, RoyLease Limited offers lease financing for items such as computers, transportation and manufacturing equipment. Competition in this field is keen as the benefits to be derived are becoming more obvious to various companies.

The Bank's four Executive Vice-Presidents and General Managers, clockwise from lower left: A.R. Taylor, International Division, R.C. Paterson, Finance & Investments Division, A.H. Michell, Canada Division, and J.C. McMillan, National Accounts Division.


PHC

The Bank foresees increasing interest in lease financing which will bring a great number of referrals to the branches. Also, through a 40% interest in Aetna Financial Services Limited, the Bank provides its customers with factoring.

Meanwhile, the Bank has 50% ownership in RoyMark Financial Services Limited, which has become, over the past four years, one of the leading financial management consultant organizations dealing with venture capital in Canada. Many businesses lack sufficient working capital to maintain a rapid growth pattern; bankers tenderly call this overtrading. Unfortunately, the answer which seems ever obvious to an operator of such a business is that the bank must loan more money to it. This is particularly so in the case of small businesses. But in fact this might not be what is needed at all. The firm might require financial restructuring instead, involving an infusion of new equity. Recognizing this, the Bank has made available through RoyMark the expertise of specialists who are in a position to help these businesses find appropriate capitalization outside the Bank's traditional loan programs.

Independent Businesses

To the Royal Bank, *small business is big business.* That we feel strongly about this is apparent in the magnitude not only of our lending to this sector of Canada's economy, but in the special services and the servicing structure we have created to meet its needs.

Custom-made loan packages have also been developed for this sector with the help of experts in the various industries or commerce involved: for example, fishermen's plans which supply financing for gear and boats, programs which offer graduating professionals life insured loans to set up their practices, and various programs for farmers.

The extent of the financing offered to small and medium-sized businesses can be gauged from 1978 statistics: of total outstanding business loans by the Bank, about $3 billion were loans of less than $200,000, representing more than 170,000 borrowers and another billion dollars were loans of less than $500,000 to another 5,500 borrowers. These loans represent 45% of the Bank's total domestic business loans outstanding and 95% of business borrowers.

In late 1974 the Bank created a Regional Management structure. Regional managers, each responsible for 25-40 branches, are given substantial lending authorities and all loans in the Independent Business category are approved at that level. The decision-making process is therefore in the hands of the lending officers who are closest to the clients and their geographic locations.

One very significant feature of our Independent Business Program is the development of a series of counselling guides to be distributed by our branch managers during their business calls. Our decision to produce publications of this nature was an acknowledgement of the need to improve management skills in smaller businesses. The series is entitled "Your Business Matters". The positive response we have received from the business community has been encouraging and leads us to believe that

This year, the Royal Bank group continued to expand its business internationally. Undertakings included commitments to participate in the financing of an underground railway project in Hong Kong. J.N.T. Rednall, left, Assistant General Manager, Asia and Australia, based in Hong Kong, talks with two engineers about the harbour portion of the project. Fourteen twin concrete tubes being sunk on the harbour bed will form a tunnel through which trains will travel between Hong Kong Island, shown in background, and Kowloon on the other side of the harbour.

In addition, the Bank opened a branch operation in Hong Kong in 1978.

the publications are in fact helping to educate the smaller operators. We have also received considerable favourable comment from federal and provincial government officials and the Canadian Federation of Independent Business for our assistance in this area.

To date, we have produced twelve booklets with a further four scheduled within the year. They deal with matters such as planning, marketing, control and budgeting. They also provide expertise to the borrowing company in choosing a financing instrument which is tailored to the company's needs, for instance, avoiding recourse to short term borrowing where purpose and circumstances require long-term debt. They also touch upon the way a loan request itself should be presented, so that a company benefits from the fairest and most complete hearing. And, finally, the program extends to general financial management, so that a company does not allow panic situations to develop before seeking financing help. In addition, we have three brochures on financing international trade which are also distributed to the business community by our branch managers.

It has been argued on occasion that chartered banks are reluctant to take risks or turn a cold shoulder when the going gets rough. A look at recent growth in Independent Business bank loan losses show that risks are being taken; and while not all problem accounts result in write-offs, a great deal of time and effort is spent in monitoring and restructuring a company's financial position, so that it will survive. Of our domestic loan loss experience of $58 million in 1978, 45% was related to loans to smaller businesses. A soft economy as we have experienced in the last few years contributes of course to the volume of loan losses. However, sound financial management can go far in preventing a company from becoming vulnerable to the point of failure in times of economic stagnation. This is why the counselling aspect of our independent business programs is vital to this market sector.

We will be pursuing our efforts to develop tailor-made programs for a number of markets, some new, such as offshore fisheries (the result of the newly decreed 200 mile limits), others offering increased opportunities such as automobile dealerships and programs for professionals.

Meanwhile, our training for commercial bankers puts particular emphasis on lending, but loan officers are also being exposed to a wide range of subjects such as selling, negotiating, insolvency and early warning systems for monitoring the financial health of borrowers. We are producing a series of business profiles for our officers on the typical operational characteristics of various important sectors of business. These include a basic outline of each type of business operation, a reference to the normal financing requirements encountered and credit assessment criteria which complement other material available in the general business environment.

We are confident that with continuously improving skills on both sides, the working relationship between independent businesses and the banker will grow stronger and ever more beneficial to both.

The towering ramparts of LG-2, one section of the massive James Bay hydroelectric project in northwestern Quebec, will one day deliver clean, renewable electricity to southern cities. Projects of this magnitude require financing that is often beyond the scope of a single lender, one of the reasons the Bank this year created its National Accounts Division (see text). The Division was specifically set up to handle large scale financing for Canadian corporations and governments. In the case of LG-2, the Bank took the initiative in forming a syndicate with nine other Canadian chartered banks to provide Hydro-Québec with a revolving term loan of $500 million, one of the largest single loans of its type ever made in Canada.

Automation
I would like to touch briefly on our automation program, an aspect of banking operations which over the years has become increasingly important both in providing services to customers and in giving us information to manage our affairs in an efficient and economical way.

As mentioned earlier, the Bank's relationship with its customers continues to increase in complexity and challenge. The Bank must not only satisfy demands for many services, several of which are offered in various "packages", but also for specialized financial support and geographic availability. Our increasingly mobile customers require that they have access to their accounts and be able to avail themselves of basic services at whatever branch they present themselves.

Our aim has been to set up a system which provides the highest quality of service, in terms of convenience and cost, efficiency and confidentiality. Today we have processing centres located in six large centres across Canada. Satellite area processing centres link a number of other urban communities to these larger centres.

In the long term all basic services are to be provided to branches "on line". The customers will benefit from immediately available information on all the services used from records maintained in the immediate region. This involves a very comprehensive automation strategy which is being implemented on a progressive basis, with many of the elements in place today, and with development of the balance well in hand.

The equipment used in such a comprehensive service venture is still undergoing improvement in capability, reliability and cost reductions by the computer industry. Great care must be exercised to avoid the premature installation of equipment with a high cost and possible early obsolescence.

Some mention should be made here of the very advanced techniques already used by the Royal Bank in the provision of automated banking services. Our cheque processing system, for example, is considered by outside experts to be the most efficient in Canada and one of the best in the world.

The Bank is also testing automated self-service banking in chosen centres in Canada.

The Royal Bank was a pioneer and is still a leader in the use of electronic funds transfer techniques for direct credit to customer accounts. Economic and technological limitations have dictated a slower pace of growth for this service, but we can foresee that it will in the long run form an integral part of our systems for serving personal and commercial customers.

We are therefore very much in the forefront of the responsible application of technology to banking. It would be virtually impossible to conduct today's business without it. The initial costs of installation and conversion are high but we are seeing the pay-off on this investment every day. In spite of all we have achieved to date, the impact of further automation over the next few years will be even more dramatic.

While the training of commercial bankers puts emphasis on lending, today's banker is expected to deal with the specific problems of his clients where they live and work. A day in the life of Peter Erratt, Assistant Manager—Administration, of the Westmount Square Branch in Montreal, second from left, might include being up to his neck in apples at the Rougemont, Quebec plant of A. Lassonde & Fils. The firm processes ten thousand cans of apple juice per day for Steinberg's, Quebec's largest supermarket chain. In the photo, from left, are: Pierre Paul Lassonde, President, A. Lassonde; Peter Erratt, Yves Dumont, Director, Research & Development, A. Lassonde; and Norm Logan, Director of Quality Assurance, Steinberg's Limited.

National Accounts

During the year, The Royal Bank created a National Accounts Division. Here again, as in commercial banking, we have identified market needs and have realigned our structure and methods to serve our customers better. Primarily, National Accounts will provide a highly responsive and specialized service to Canada's largest and most complex corporations. This specific account management function will involve customized corporate and "project financing" services, including loan syndication which involves the banding together of a number of world banks to provide a loan from pooled international funds. These financing needs usually involve several of the Bank's services, crossing divisional as well as geographic lines. While our structure has served us well up to now, recent experience confirmed that the market place has undergone some changes which require that we adapt in this way.

First, competition in Canada for all types of business, and particularly for the business of major corporations, is increasing. This trend is expected to intensify over the next ten years with the passing of the revised Bank Act, and the expected entry of new competitors into this market. With National Accounts Division providing financial and industrial expertise to major corporations, we are confident that The Royal Bank will not only preserve its market position, but will be able to compete aggressively for new business.

Second, the market has become increasingly sophisticated in that the use of detailed computer analysis and the development of financing packages which involve a variety of instruments are now commonplace. As a result, customers have developed a demand for such services from their bankers. Our structure did not lend itself to offer them the required short lines of communication and in-depth knowledge of their industries and particular needs.

Finally, our clients are buying, selling, investing and borrowing in international markets. As a result, they are making their financing decisions in a global context and borrowing in large amounts requiring multi-bank syndications in various currencies. One particular task of a global finance group operating within the National Accounts Division will be to provide our customers in Canada with access to this kind of expertise.

International Banking

Adaptability to market conditions and the fine-tuning of the banking structure are essential to us. This is as important to The Royal Bank in the international field of banking as it is at home in Canada.

Our international banking operations could be divided into three broad categories. The first is retail consumer and commercial banking, largely in North America, Latin America and the Caribbean, but also in Europe, Asia and the Middle East, where we have branches and serve individual consumers. The second, corporate banking, involves servicing international companies around the world, including export financing. The third is a manifold involvement in large scale lending in various countries, which calls for our banding together with a number of world banks in syndication or consortium financing. Consortium

Reaching deep into the heart of Canada, our branches not only serve Canadians wherever they choose to settle, but keep us in touch with customers on a country-wide basis. This gives support to the principle that a national banking system is vital to our country's development. Whether helping individuals to save or borrow for present and future needs, or helping enterprises to retain or create employment, the branch system fosters a country-wide movement of funds, putting savings to work where they will do the most good.

banking involves creating permanent organizations by joining together a number of world banks to operate on the international market; the Orion group is an example of this. Syndication involves a temporary joining together of different world banks depending on the loan project concerned. We also have many active correspondent bank relationships which generate an important volume of business.

Recently, emphasis has been placed on the kind of activity we call "wholesale" banking as opposed to "retail" or branch banking. While it is true that wholesale banking, the large scale lending operation, has been increasingly stressed, retail banking in foreign countries is very much a viable and growing part of The Royal Bank's business. For example, during the year we agreed to purchase Banco de San Juan, in Puerto Rico, which has 14 branches servicing the country. We were already active in the Caribbean, Central and Latin America with branches in some 16 countries.

This drilling rig, located in the Jumping Pound area, some 20 miles west of Calgary, belongs to Challenger International Services Ltd., one of the Bank's many customers in the oil and gas industry. The Royal Bank was the first to specialize in the industry and to make an effort to understand its unique financial needs. But being first is no guarantee of continued success. Competition in Canada for all types of business, and particularly for the business of major corporations, is increasing. The trend is expected to intensify over the next ten years with the passage of the revised Bank Act, and the entry of new competitors into this market. With its Oil and Gas Department in Calgary and the new National Accounts Division continuing the Bank's tradition of providing financial and industrial expertise to major corporations, it will not only preserve its market position but will be able to compete aggressively for new business.

As a matter of fact, it has been our constant presence in that part of the world which has made us a natural supplier of banking services to customers there. In the Caribbean area, for instance, The Royal Bank has operated almost since its very beginnings in the 19th century. Our reputation as a sound and imaginative bank has led to our handling a steady volume of business.

Competition on the international scene is intense. As Canadian trade becomes more and more international, the need for banking with international expertise increases. We need global capabilities to serve our Canadian clients wherever their business takes them, and we need to compete for international business with world banks at home, since foreign banks operate here as well. This is evident in the more than 100 foreign-based institutions which currently operate in Canada, not only supplying subsidiaries of their home country's enterprises, but servicing Canadian firms with expertise which they have gathered in foreign markets.

The U.S. market is particularly important, of course. Since it is our greatest trading partner, we must supply Canadian companies with international banking in their trade with the U.S. But, we must also seek the many opportunities to provide loans in the U.S. to multinationals who do business in Canada and all over the world. These might be energy related loans to corporations involved in North Sea resource development activities centred in London, or financing arranged by one of our Latin American affiliates for investment in that part of the world.

In the area of export financing, we get involved with important industrial or commercial developments all over the globe. The Canadian government plays a major role in many of these endeavours.

In the Middle East, where we are located in Dubai and Beirut, as well as serving markets through our Area Headquarters in London, England, we recently financed the export by Canadian companies of large orders of prefabricated houses and construction materials to Saudi Arabia and Algeria and provided performance guarantees for an important telecommunications project, also in Saudi Arabia.

We are involved in financing the development or introduction of high technology in a number of countries, for example, telecommunications and the installation of high tension transmission lines for electrification. One such project

in which we participated during the year is a $175 million loan to finance a hydro-electric project in Brazil.

We also contribute to building the industrial base of various countries, helping them to supply themselves with essentials which up to now had to be imported to the detriment of their balance of payments and cost of living. Even basic electrification can help stimulate the installation of manufacturing plants.

On the Ivory Coast, for example, a Redpath sugar complex, involving completely integrated production from agricultural development for growing the cane to refinery, will not only give that country added secondary manufacturing facilities, but will also supply Canadian refineries. On this project, we are working in cooperation with the Export Development Corporation of Canada and the Export-Import Bank of the U.S.A.

In Trinidad, our financing help contributes to the development of a fertilizer industry which is a by-product of local gas deposits. Instead of merely exporting its non-renewable resource, Trinidad will also be in a position to spin out over a longer period the benefits of gas supplies by selling the by-products to the U.S.A., Central America and Latin America, a beneficial diversification for the country.

It is evident, moreover, that since we operate in a variety of places, we can supply developing countries with valuable banking expertise, helping them to improve their system, thus supplying them with much needed help in the economic development of the country.

In the context of international operations, it is important to emphasize here that The Royal Bank does not take speculative foreign exchange positions. Invariably there is a customer, a buyer or a seller of a foreign currency involved in the Bank's transactions in foreign exchange markets. It is part of the business of banking to supply customers with currencies they need, this of course involves buying or selling currencies at the best possible price for our customers; if we did less than this, we would be providing poor service.

Our correspondent bank relationships, meanwhile, involve Eurocurrency deposits including interbank activities; we place deposits with various banks throughout the world and these banks deposit with us. The traditional correspondent bank relationship has involved the clearing of cheques, transfer of funds, letters of credit, obtaining foreign currencies for Canadian customers and collecting receivables. These interbank deposits also serve to give liquidity to the Eurocurrency market which is tapped by many countries for loans.

Since we are the largest Canadian bank, many other banks will choose to deal with us on a global basis. With the presence of many large international banks, our size and reputation are essential to bring us important business.

In loan syndication, as many as 40 or 50 banks might get together to raise a large loan. Foreign banks know us, since we have been lead manager in a number of loans, that is we had the primary responsibility for putting the lending groups together and assumed a sizeable portion of such loans. In this way, the pooling of available resources is put at the disposal of worthy projects all over the world under our leadership.

This year has seen a significant expansion of The Royal Bank's international network. In addition to expansion on the retail side, as mentioned earlier, we have expanded our wholesale operations considerably, so as to broaden and strengthen further our world-wide banking capabilities.

We are in the process of establishing a wholly-owned merchant bank operation in London, England. This will be a focal point for the syndication and management

Helping Canadian companies to finance international trade is an important part of the Bank's Independent Business Program. B.W. Creative Wood Industries Ltd., of Surrey, B.C. produces architectural wood spindles for interior or exterior use. A five-year-old Canadian company, it markets the multi-purpose product in Canada, the United States, Europe and Australia. In the photo, Assistant Manager New Westminster Branch Lorrie Anderson talks with President Wayne Gardner, Marketing Manager Ken Hansen and Designer Bill Van Lissum.

of our Eurocurrency operations. In the Far East, we opened a branch in Hong Kong, and appointed a representative in Seoul, South Korea. This should give a new dimension to our existing capabilities and enable us to play a broader and more significant role in the development and expansion of trade throughout the Pacific. Similarly, the representative office which we established in São Paulo will strengthen our relationship with banks and corporations in Brazil and with its government. As well, through our minority participation with the Bank of America in Multibanco Internacional de Investimentos, S.A. in São Paulo, we will add offices in São Paulo and Rio de Janeiro to our international network. In the United States, we are now setting up a branch in Portland, Oregon which is scheduled to open early in 1979.

World finance and trade are extensive and present a wealth of opportunities. There are still many places to go. It is no secret, for instance, that Japan and Switzerland, both of which bar Canadian banks because Canada, officially at least, does not at present permit foreign banks to operate here, offer interesting opportunities. The revised Bank Act which is overdue, having outrun by a year its ten-year mandate, would allow many foreign banks now operating indirectly in Canada through subsidiary financial operations to become chartered banks. In return, our federal government expects other countries to open the door to Canadian banks seeking to operate more fully abroad.

The Royal Bank's position is that it would welcome foreign competition at home if the new Bank Act offered opportunities to Canadian banks to operate as freely abroad. It is obvious that if limits are imposed on foreign banks, as suggested by the current Bank Act revision draft, those institutions which operate here might lead their governments to impose equal limits on the operations of Canadian banks abroad. This would not favour the expansion of foreign banking trade for Canada. Since all experts on Canada's trade agree that our country's future lies in exports and foreign trade, given our limited domestic markets, a banking system which is limited in its penetration of countries which are particularly active in international trade would not be able to play as dynamic a role as Canada needs.

Meanwhile, at home, foreign institutions which do not become banks, because they do not accept the terms under which they can do so, will continue to operate essentially unregulated and without the responsibility of holding reserves with the Bank of Canada. This would be a direct dollar advantage to the foreign banks which did not seek charters in Canada.

It would be preferable to make it attractive to them to become banks by basing their eligibility and conditions of operations solely on reciprocal arrangements for our own banks in their country, without setting artificial limits of any kind. If the Bank Act is passed as drafted, Canadian banks which want to see the doors of foreign markets open in return for equal privileges here for foreign banks will likely be disappointed.

Premises

The principle of adaptability to the needs of markets and of customers is prominent in the process of locating, designing and setting up branch facilities.

Our capacity to serve clients in Canada and abroad is, very much, influenced by the location and quality of the various offices and branches in which our staff work and where the majority of clients seek service. Accordingly, we consider continuing investments in both branches and administrative centres, and in renovation of older ones, to be essential.

In each case, we endeavour to ensure that our premises will not only enable our staff to dispense our services efficiently, but will form an

Steel production is only one aspect of the huge industrial operations of the Alfa Group of companies of Monterrey, Mexico. Alfa is one of the largest private industrial groups in all of Latin America and is an important client of the Bank.

integral part of the communities in which we do business.

During the year, we completed projects in Sydney, Annapolis Royal and Kentville, N.S.; in Montreal, Quebec; in Thunder Bay, Ontario; in Stettler and Grande Prairie, Alberta; in Nanaimo, Prince George and North Vancouver, British Columbia.

There are major projects in progress in each province of Canada, in a total of 20 locations. We opened a new computer centre building in Vancouver in May of 1978 and have computer centre facilities under construction in Halifax, Winnipeg and Calgary.

On the international scene, we have purchased premises in Grand Cayman, have an important extension underway in St. John's, Antigua and are completing a series of 15 different projects in Latin America and the Caribbean area.

Personnel

Our staff needs endless flexibility and industry to meet the various demands made on its skills.

Therefore, we are continually engaged in a realignment of our personnel programs, whether involving training, hiring or rewarding employees for their contribution to the success of the Bank, so that we are all in a better position to meet the demands of the markets.

We are already well advanced in a process of decentralization of decision-making to allow quicker, more sensitive reaction to requirements and customers' requests. We continue to adapt our management style to the new realities of our environment and strive to create for employees the kind of atmosphere in the Bank which will stimulate them to give their fullest contribution. The rapid advances we are making in automated processes will no doubt assist in reducing much of the drudgery in various standard operations. We also concentrate on giving employees who are faced with new duties, as a result of new methods, the necessary training and support.

We work towards ensuring that all employees have the opportunity to contribute in the fullest possible way notwithstanding their geographic location or the position they hold in our Bank. Our policy, meanwhile, remains to hire, reward and promote people on the basis of competence.

It is evident that we should be increasingly sensitive to the needs and aspirations of our employees in times when they are asked to "fine-tune" their contribution to the Bank's success even more, as we refine our services and methods. A number of complex issues have arisen in this regard. We must address such matters as motivation, equal employment opportunities, mobility, size of working units and management style and we must review our compensation and benefits programs. No matter the size or nature of the particular challenges involved, we must approach them with the same sensitivity and efficiency that we display in our efforts to improve services for the sake of maintaining and improving our market position. We must be constantly aware that our Bank's human capital is not only the number of trained employees we can call upon, but the dedication of our staff and the reputation such a loyalty has created for our Bank. I would like to extend my most sincere thanks to all employees for their continuous support and their contribution to our Bank's success in the past year.

CCM, one of the oldest and most respected names in Canadian sporting goods manufacturing, was recently given a new lease on life in a three-way co-operative effort. The Royal Bank provided a substantial injection of new working capital; Maxwell Cummings Holdings Limited of Montreal provided both equity financing and a new management team, while the Federal Government's Enterprise Development Board insured part of the Bank's loan. Shown in the company's bicycle plant are, from left, Ed Donaher, Vice-President of CCM, Barry Sparks, Senior Assistant Manager of the Royal Bank's Toronto Main Branch and Sheldon Hamer, President of CCM.

Summary

Our financial results for 1978 reflect a year of substantial achievement. Balance of Revenue after tax, as illustrated on Chart 1, reached $233.9 million, an increase of $65.1 million over the $168.8 million earned in 1977. On a per share basis, earnings rose to $6.39 per share compared to $4.61 per share in the previous year, an increase of 39 per cent.

Over the year our earnings grew at a considerably faster rate than total average assets which increased 18 per cent over 1977.

The rise in earnings was brought about by a combination of increased assets and an improved return on those assets. Briefly, increases in our volumes of total average assets accounted for $35.1 million of the increase in earnings of $65.1 million in 1978. The balance of $30.0 million is a result of an improvement in the rate of return on those assets, achieved mainly by a lower rate of growth in non-interest operating expenses. Consequently, the Bank earned 62 cents per $100 of assets in 1978 compared to 53 cents per $100 in 1977.

Domestic/International Earnings

Earnings from our domestic and international operations both grew more than 38 per cent in 1978.

On the charts, our earnings, assets and other items are broken out on a domestic/international basis. Since not all Canadian banks report domestic/international earnings on exactly the same basis, I would like to define clearly what The Royal Bank means by the terms "domestic" and "international".

The division is largely a geographic one. Domestic operations covers our business in Canada (which includes the foreign currency operations being carried out in our branches within Canada). Domestic assets, therefore, would include loans such as a U.S. dollar loan to a Canadian resident.

Some business which is essentially international in nature, such as wholesale lending to governments or companies outside Canada and Eurodollar money market trading, is classified as international even though it is recorded in Canada. Earnings from international operations include the revenues and expenses of our international branches and of all our consolidated foreign subsidiaries and the dividends received from non-consolidated foreign subsidiaries. Head office expenses which are identifiable as attributable to international operations are deducted from these earnings.

In addition, in order that we may take the total Bank and divide it, as it were, into two segments, other head office expenses relating to total operations are proportioned between international and domestic. Likewise a division is made in the capital of the Bank. Throughout this report on our financial results any division into "domestic" and "international" has been made on this basis.

CHART 1

BALANCE OF REVENUE AFTER TAX
(IN BRACKETS—DOLLARS PER SHARE)

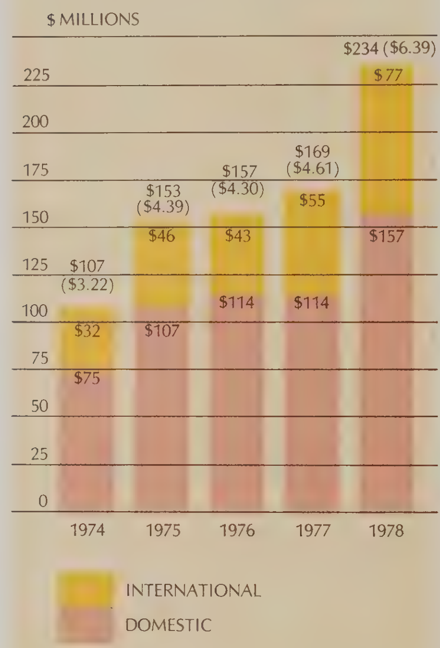
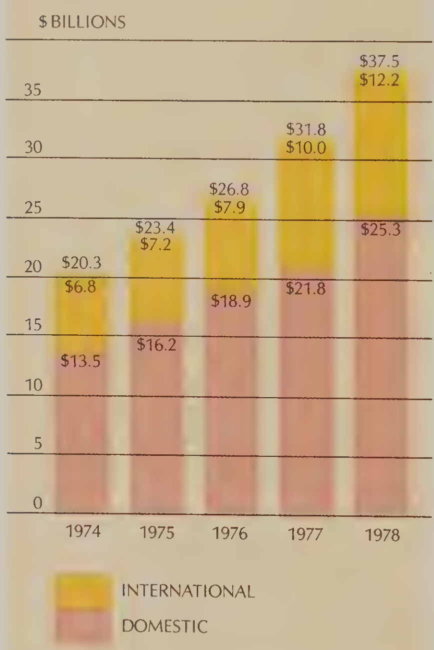


CHART 2

TOTAL ASSETS
(ANNUAL AVERAGE)



Domestic

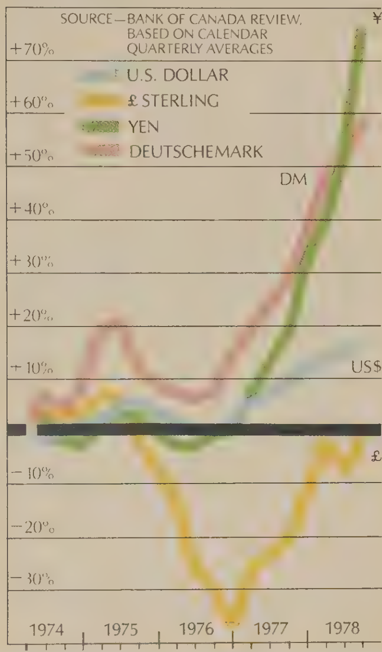
Domestic operations contributed $157.2 million to our after-tax earnings in 1978, an increase of $43.6 million or 38.4 per cent over the previous year. This was much faster than the rate of growth in domestic business volumes over the same period. As can be seen from Chart 2, our domestic average assets reached a level of $25.3 billion in fiscal 1978, up 16.2 per cent from $21.8 billion in 1977. Taxable equivalent domestic net interest spread grew more quickly than assets, adding to profitability (as will be explained in detail on later charts). Non-interest operating expenses grew slower than both assets and spread, thereby further enhancing domestic profitability. For the total Bank, these expenses grew 11.7 per cent in 1978 compared to 15.5 per cent in 1977.

International

Earnings from international operations grew at virtually the same rate as did domestic, so that the proportion of earnings contributed by each sector remained unchanged from last year at 67 per cent from domestic operations and 33 per cent from international. The International after-tax balance of revenue of $76.7 million was 38.7 per cent higher than last year's $55.3 million. International business volumes grew 22.2 per cent; international spread grew more

CHART 3

RELATIVE POSITION OF SELECT FOREIGN CURRENCIES WITH RESPECT TO THE CANADIAN DOLLAR. PERCENTAGE CHANGE USING FIRST CALENDAR QUARTER OF 1974 AS BASE PERIOD.



quickly and so increased in profitability, in addition non-interest expense growth was slower. As a result of their faster growth rate than domestic assets, international assets have risen to 32 per cent of our total business from 31 per cent last year.

About one-third of the 22.2 per cent growth in international average assets is a result of translating our foreign currency assets into Canadian dollars at fluctuating exchange rates. Chart 3 shows how select foreign currencies have moved relative to the Canadian dollar over the past five years. Using the first calendar quarter of 1974 as the base period, the chart tracks the per cent increases or decreases relative to our Canadian dollar of: the U.S. dollar, the pound sterling, the Japanese yen and the deutschemark. From this it can be seen how these currencies began to show rapid increases in value against the Canadian dollar in

1977 and continued this trend through 1978. For example, in the first calendar quarter of 1977, the U.S. dollar, the currency in which most of our foreign currency loans are denominated, was 5 per cent higher relative to the Canadian dollar than it had been in the base period, the first calendar quarter of 1974. By the end of 1977 it was 12 per cent higher than the base period, while in the third calendar quarter of 1978 it was 17 per cent higher. As about 80 per cent of our international assets are denominated in U.S. dollars, it is the per cent change in the U.S. dollar on average from 1977 to 1978 which has had the major effect of adding to the growth in international assets when translated into Canadian equivalents.

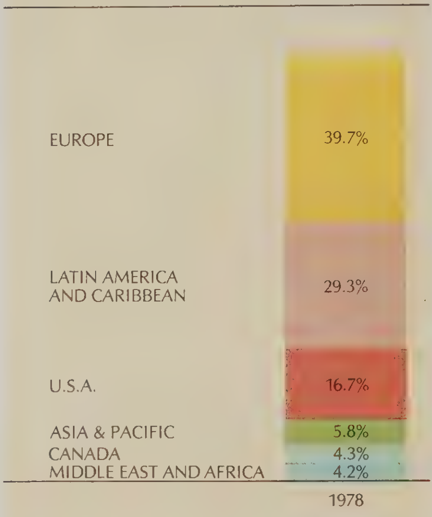
Geographic Distribution of Assets

Both domestic and international assets are widely distributed geographically. Chart 4 shows the geographic distribution of our international assets—loans, securities and deposits with other banks—based on the location of the ultimate security for these assets. To illustrate, should a loan be granted in U.S. dollars to the European subsidiary of a Canadian company and guaranteed by the parent company, then Canada would be considered the location of the ultimate risk. The Canadian risk also includes our participation in a U.S. dollar loan to the Government of Canada as part of its external financing. As demonstrated by the chart, the Royal enjoys a wide distribution of international business. Of the large portion of business in the Latin America and Caribbean area our long-standing retail banking network accounts for roughly one-third, while the rest reflects wholesale banking commitments with risk in those areas.

CHART 4

GEOGRAPHIC DISTRIBUTION OF RISK*

PER CENT BY AREA

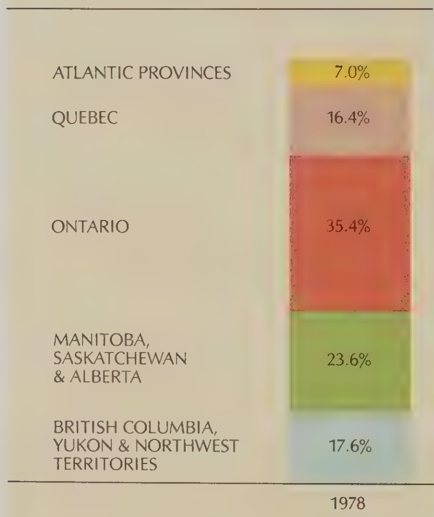


*BASED ON TOTAL INTERNATIONAL ASSETS AS AT OCTOBER 31, 1978 —$12.5 BILLION.

CHART 5

REGIONAL DISTRIBUTION OF DOMESTIC ASSETS*

PER CENT BY AREA



*BASED ON DOMESTIC ANNUAL AVERAGE ASSETS 1978—$25.3 BILLION

Broad involvement in a variety of countries around the world ensures that adverse conditions prevailing in one or two areas do not impact seriously on our profits and additionally we are well positioned to take advantage of competitive business opportunities.

Similarly our domestic assets are broadly based throughout Canada. Chart 5 shows the distribution by major provincial groupings.

Classification of Assets

Our assets are also widely distributed by type of asset. As well as maintaining a suitable distribution of assets by area, the management of the Bank feels that it will achieve a steady and healthy growth in profitability if its assets are also well distributed by type of asset. That is to say, that we endeavour to achieve the most efficient balance between various types of loans, investments, liquidity assets and other types of assets.

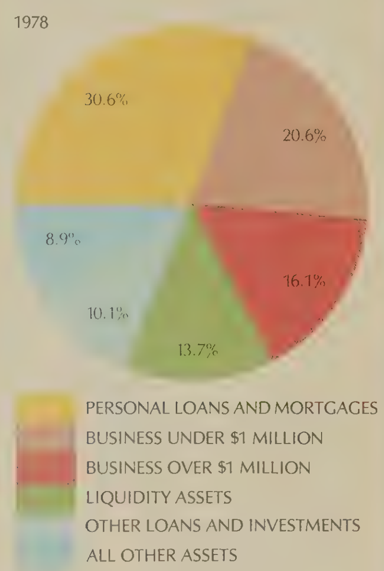
Domestic

Chart 6 shows the breakdown of our average domestic assets in 1978. Personal loans and mortgages, that is retail loans, represented just over 30 per cent of our total domestic assets during 1978. Loans under $1 million, the category which includes loans to small businesses, amounted to 20 per cent of our average domestic assets. Loans over $1 million, largely corporate loans, were 16 per cent of the total. Liquidity assets, which include the statutory reserves which the Bank must hold against its deposits as well as Government of Canada Bonds and day loans to investment dealers, were approximately 14 per cent. The category of "other loans" includes such loans as those to provinces and municipalities while "other investments" includes all domestic investments other than the official liquidity assets mentioned above. Included here are marketable securities as well as income debentures and preferred share issues of Canadian corporations held by the Bank. Taken together these other loans and investments amount to 10 per cent of domestic assets. The balance is made up of other assets including fixed assets and letters of credit and guarantee balances.

CHART 6

CLASSIFICATION OF DOMESTIC ASSETS*

PER CENT OF DOMESTIC AVERAGE ASSETS

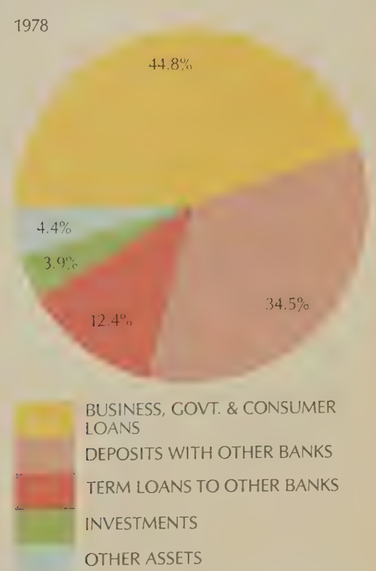


*BASED ON DOMESTIC AVERAGE ASSETS 1978—$25.3 BILLION.

CHART 7

CLASSIFICATION OF INTERNATIONAL ASSETS*

PER CENT OF INTERNATIONAL AVERAGE ASSETS



*BASED ON INTERNATIONAL AVERAGE ASSETS 1978—$12.2 BILLION.

International

The operations of our domestic and international banking differ in many ways, and the make-up of the assets of the two segments reflect these differences.

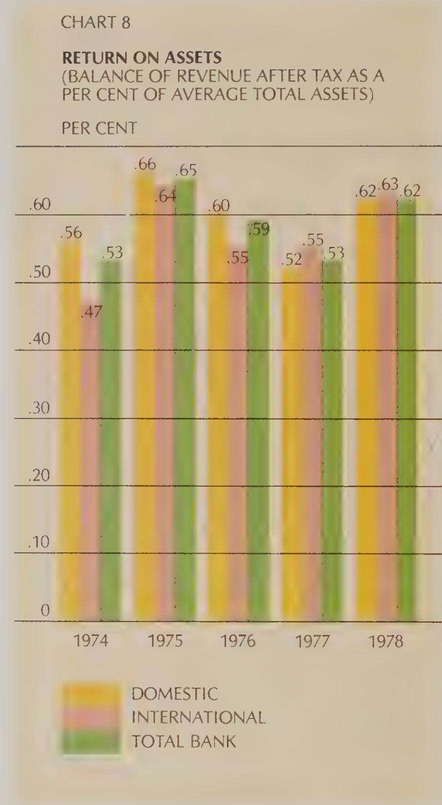
Nearly 45 per cent of our annual average international assets are loans to corporations and governments as well as consumer lending in various parts of the world.

Deposits with other banks, which primarily serve the purpose of providing liquidity to our foreign currency operations, totalled 34.5 per cent of these international assets. Term loans with other banks, which include foreign government funding where the loan is provided to a central bank, amounted to over 12 per cent.

Profitability of Domestic and International Operations

The diversity of our domestic and international operations requires a standard measurement by which to judge performance. For this purpose we use the ratio of after-tax earnings to total average assets. Using this ratio of return on assets, we may compare the two segments of our banking operations, and indeed compare the Bank as a whole with other banks, without regard to variances in size but giving due weighting to growth rates.

Chart 8 shows the return on assets recorded by domestic and international operations, and by the whole Bank for the five years 1974 to 1978. For the Bank as a whole our return on assets was .62 per cent, or stated in another way, the Bank earned 62 cents for every $100 of assets in place in 1978. The return on assets from our domestic operations had been declining from .66 per cent in 1975 to .52 per cent in 1977 as our domestic assets were growing at a faster rate than the profits earned on them. We are pleased to report that 1978 saw a reversal of that trend as our return rose ten basis points to reach .62 per cent. Our international operations also improved in profitability, from .55 per cent in 1977 to .63 per cent this year.



Interest Spreads & Other Operating Revenues

The most important factors contributing to our higher level of profitability, broken down by major items of revenue and expense, are discussed in the analysis which follows.

Net interest revenue or "spread" is the difference between the interest revenue received by the Bank on its earning assets, and the interest expense paid on interest-bearing liabilities. In 1978, total spread for the Bank amounted to $1,054.9 million, an increase of 17 per cent over 1977, lower than the 18 per cent rate of growth shown in total assets. On Chart 9, our spread as a per cent of assets is plotted for the five years 1974 to 1978. The bottom line is our spread as published on a statutory basis. The upper line shows spread adjusted to a taxable equivalent basis, a basis which takes into account the tax-exempt status of income debentures and preferred shares. In recent years, the Bank has acquired increasing amounts of these assets because their yields were attractive.

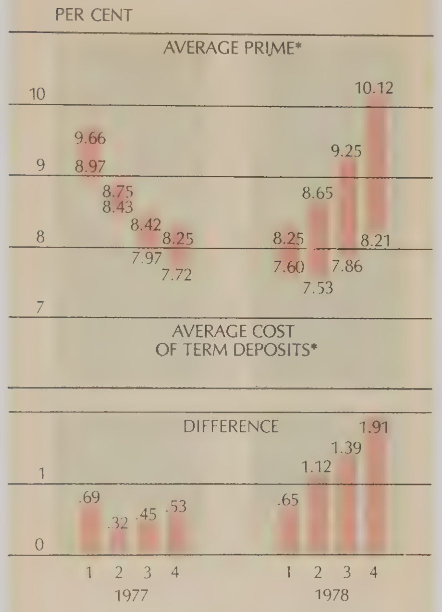
On this taxable equivalent basis, spread had shown a declining trend as a per cent of assets, falling from 3.14 per cent in 1975 to 2.95 per cent in 1977. This year, however, taxable equivalent spread rose to 2.99 per cent of assets. Both domestic and international spreads showed improved profitability on this basis.

An important factor in explaining the improved spread was the interest rate environment prevailing in Canada in 1978, which was almost a complete reversal of that experienced in 1977. As seen from Chart 10, in 1977 the Royal Bank prime rate charged on loans fell from an average of 9.66 per cent in the first fiscal quarter to 8¼ per cent by the end of the year. 1978 began with the prime rate at 8¼ per cent, but it rose throughout the year to reach an average of 10.12 per cent in the fourth quarter.

As the majority of our loans are related to prime, the increases are reflected almost immediately in interest revenues. However, term deposits form a large part of our deposit base and the rate paid is fixed for the life of the term deposit, so that only new term deposits and those maturing and being replaced are initially affected. Thus the effective cost of all term deposits rises more slowly than prime. The widening margins in 1978 can be seen clearly on Chart 10. In 1977 when rates were falling, particularly in the second quarter, the opposite effect was felt. I would mention at this point that a stabilization or decline in rates is not difficult to foresee in 1979, and under these conditions we would anticipate narrower margins making our performance compared to this year seem less spectacular. To summarize: in periods of rising rates, spreads widen, whereas in a falling interest rate environment, spreads narrow, but both effects are temporary.

CHART 10

PRIME RATE AND AVERAGE COST OF TERM DEPOSITS AND DIFFERENCE
(FISCAL QUARTERS)



*RATES CALCULATED ON A DAILY BASIS

CHART 11

DISTRIBUTION OF DOMESTIC DEPOSITS* AND FIVE-YEAR AVERAGE GROWTH RATE

*BASED ON DOMESTIC AVERAGE ANNUAL DEPOSITS BALANCES.

Partially offsetting these favourable influences on our Canadian spreads was a continuing shift in our mix of deposits to higher cost money. On Chart 11, the breakdown by category of domestic deposits is set out for the past five years together with the five-year average annual compound growth rate for each category. Generally speaking, demand deposits, mainly personal chequing accounts and current accounts, can be considered our "low-cost" money. Over the past five years these deposits have been growing at a 9.9 per cent compound rate per annum, a much slower rate of growth than shown by the "high cost" categories. Consequently, demand deposits have shrunk from 21 per cent of domestic balances in 1974 to 16 per cent in the 1978 fiscal year. For some time, government monetary policy has been to limit growth in demand deposits as part of their effort to dampen inflationary trends in the economy. High cost deposits comprise savings accounts, Government of Canada deposits and term deposits. In total they increased 15 per cent in 1978 over 1977, whereas the lower cost demand deposits were growing at approximately half that rate. The effect of this shift in mix is to increase the Bank's average cost of funds.

International spreads were also stronger in 1978 than in 1977. In part this was due to increased profitability in our retail banking operations outside Canada, particularly in the Latin America and Caribbean region. Another contributory factor was a change in mix with a greater proportion of higher yielding assets than last year. As was shown on Chart 7, international business, government and consumer loans, which are higher yielding assets, have risen to nearly 45 per cent of international average assets, up from 42 per cent last year, while lower yielding deposits with banks are a smaller proportion.

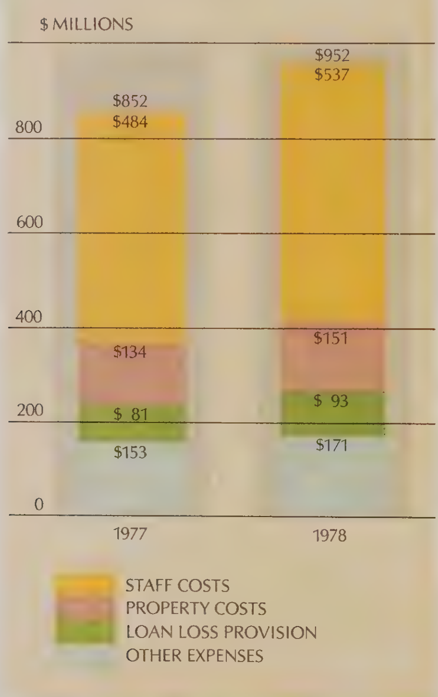
The other category of the Bank's revenues is the non-interest or other operating revenues which are displayed on Chart 12. These revenues totalled $258 million, $33 million or 15 per cent above 1977. While most service charges continued to grow slowly, Chargex/Visa fee revenues showed strong growth based on greater business volumes. The loan fees and other revenues derived from international operations showed considerably faster growth than did those from Canadian operations.

CHART 12

OTHER OPERATING REVENUE

CHART 13

NON-INTEREST EXPENSES



Non-Interest Expenses

1978 was the third consecutive year in which the year-over-year growth in non-interest expenses declined both in dollars and as a per cent, a result of a continuing management commitment to slow down the rate of increase in this area. These expenses, as shown on Chart 13, totalled $952 million, an increase of $100 million or under 12 per cent for the year. One aspect of these expenses which I would like to discuss in greater detail is the loan loss provision; the charge to earnings based on the five-year average of loss experience to related loans. Loss experience is the sum of write-offs made during the current year plus the net increase in appropriations made against loans which have been

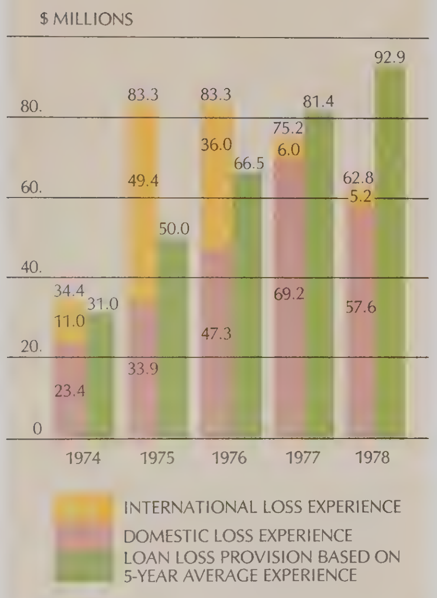
identified as involving potential future loss. Chart 14 illustrates the history of the loss experience arising from domestic and international operations over the past five years. It is most gratifying to be able to report that the loss experience this year, amounting to $62.8 million is lower than that reported in the three preceding years. Both domestic and international operations have contributed to the reduction. On the domestic side the major improvement has been in the area of large corporate loans whereas the loss experience related to smaller commercial loans continues to increase.

The high international loss experience of 1975 and 1976 was as a result of appropriations made for possible losses on loans to Real Estate Investment Trusts in the United States. The losses which have been realized, however, have been significantly less than the amounts provided for, enabling reductions in 1977 and again this year.

Loss experience is inherent in the nature of the business of banking. To enable our shareholders to examine the trend in loss experience

CHART 14

LOAN LOSSES



LOSS EXPERIENCE AS PER CENT OF AVERAGE TOTAL LOANS EXCLUDING FUNDS DUE FROM OTHER BANKS

1974	1975	1976	1977	1978
.31	.58	.50	.38	.27

and to measure our performance in this area we have set out on the chart the ratio of loss experience to the annual average of total loans excluding funds due from other banks. This ratio shows a most favourable decline from .58 per cent in 1975 to .27 per cent this year.

Despite the lower total loan loss experience, the annual loan loss provision continued to increase as a result of the prescribed averaging process and also as a result of an increase in the year-end level of the Bank's eligible loans against which the ratio is applied.

Before measuring our results for the year against the longer term I would like to make a few comments on our capital position.

Capital

The capital of the Bank, totalling $1.8 billion, includes shareholders' equity, debentures and accumulated appropriations for losses. Chart 15 shows the growth in our capital from $888 million in 1974 to over $1.8 billion at the end of fiscal 1978, a five-year average growth rate of 15 per cent. This year capital increased by a total of $303 million from the end of 1977. The major portion of the increase was the addition of $224 million to shareholders' equity, this being mainly the net amount of our earnings less the dividends paid to shareholders.

We issued $60 million in debentures on June 1, 1978, bringing our debentures outstanding to $414 million at year-end.

Accumulated appropriations for losses, a reserve for future unforeseen losses, stood at $325 million on October 31, 1978, $19 million above the previous year.

After taking these changes into account our ratio of deposits to capital, a measure of capital adequacy, was 20.3 to 1 compared to 20.7 to 1 at the end of 1977, the best of the major banks in 1978.

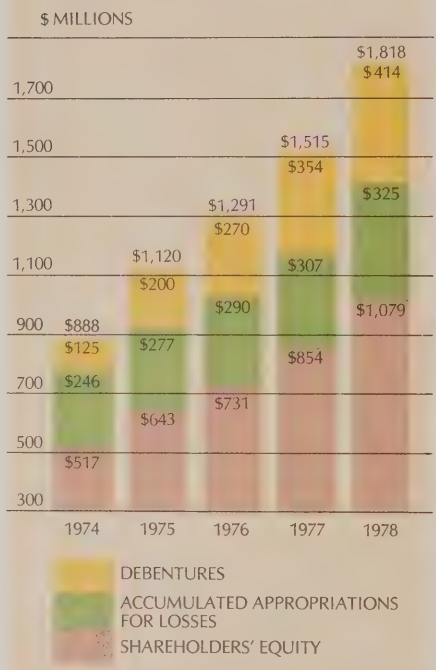
On December 5, 1978 Globe Realty Limited, a wholly-owned subsidiary of the Bank, issued $160 million cumulative, redeemable preferred shares Series "A". The yield on the shares, which were priced at $25 per share, is 7.52 per cent. The issue has the benefit of a Support Agreement, whereby the Bank covenants to ensure that Globe has sufficient distributable surplus and available cash to make all payments of dividends.

The proposed revisions to the Bank Act will permit the chartered banks to issue additional forms of equity such as preferred shares and under the terms of the Globe issue the Bank will have the right prior to December 31, 1983, subject to the revision of the Bank Act and our shareholders' approval, to effect the exchange of all Globe Preferred Shares for the same number of Royal Bank Preferred Shares.

After effecting such an exchange, the Bank's capital position would be significantly strengthened. For example, had the proceeds of the issue, $160 million, been added to our capital at October 31, 1978 then this would have lowered the Bank's deposits-to-capital ratio even further from 20.3 to 1 to 18.7 to 1.

CHART 15

TOTAL CAPITAL
(YEAR-END BALANCES)



In addition to maintaining a suitable balance between our capital and deposits we are pleased to be able to report a higher return on equity this year. This return is the ratio of after-tax earnings to average shareholders' equity plus accumulated appropriations for losses. In 1978 the increase in earnings has been reflected in our return on common equity which has risen to 18.2 per cent compared to 15.5 per cent last year.

A Five-Year Comparison

Earnings per share growth in 1978 was twice the long-term average.

In order to gain a perspective on our results for 1978, I would like to compare them to our performance over the past five years. The annual growth rate in select areas from 1977 to 1978 is compared on Chart 16 to the average annual compound rate of growth over the five-year period 1973 to 1978.

The growth in total average assets for the year was close to the trend over the past five years.

Our net interest spread, on a taxable equivalent basis, has been growing faster than our assets over the last five years. The year's annual growth rate of nearly 20 per cent is somewhat higher than the growth over the longer term, primarily as a result of the more favourable interest rate conditions prevailing this year than in some previous years.

CHART 16

FIVE-YEAR GROWTH RATES

	PER CENT 1973-1978	PER CENT 1977-1978
TOTAL AVERAGE ASSETS	18.2	18.1
TAXABLE EQUIVALENT SPREAD	19.1	19.7
OTHER OPERATING REVENUE	17.5	14.7
NON-INTEREST EXPENSES	19.8	11.7
BALANCE OF REVENUE AFTER TAXES	18.7	38.5
EARNINGS PER SHARE	16.5	38.5

The growth in other operating revenues is less than the rate of growth in assets in both the short and long term, in part a result of the limitations imposed in Canada by the Anti-Inflation Board.

Contributing substantially to the improved profit picture this year, was the slower growth of our non-interest operating expenses. The year-over-year growth in these expenses was below 12 per cent in 1978 compared to the average growth rate of nearly 20 per cent over the longer term, this is a great improvement.

The significant improvement in spread and slow growth in expenses both contributed to the 38.5 per cent increase in balance of revenue after taxes and earnings per share for the fiscal year 1978. This rate of growth was much faster than the trend over the longer term and one which, for the reasons previously mentioned, we could hardly expect to maintain over a prolonged period.

(continued on page 38)

Highlights of Consolidated Results
(in thousands)

Assets and Liabilities as at	**October 31, 1978** Fully Consolidated	**October 31, 1978** Statutory	October 31, 1977 Fully Consolidated	October 31, 1977 Statutory
Total Loans including amounts due from banks	**$32,662,142**	**$31,614,809**	$27,648,692	$26,922,627
Total Assets	**$42,024,943**	**$40,904,516**	$35,206,496	$34,350,334
Total Deposits	**$37,829,448**	**$36,990,559**	$32,096,681	$31,379,914
Sundry Liabilities	**2,295,537**	**2,095,953**	1,531,311	1,455,640
Debentures	**413,666**	**413,666**	353,891	353,891
Accumulated Appropriations for Losses	**325,471**	**325,471**	306,660	306,660
Minority Interest in Subsidiaries	**11,878**	**—**	8,554	—
Shareholders' Equity	**1,148,943**	**1,078,867**	909,399	854,229
Total Liabilities and Capital	**$42,024,943**	**$40,904,516**	$35,206,496	$34,350,334
Revenue and Expenses				
Income from Loans and Securities	**$ 3,204,027**	**$ 3,136,021**	$ 2,573,738	$ 2,518,692
Interest paid on Deposits and Debentures	**2,127,141**	**2,081,100**	1,653,529	1,617,027
Spread	**1,076,886**	**1,054,921**	920,209	901,665
Other Operating Revenue	**269,702**	**258,356**	233,197	225,333
Share of Net Income of Companies Accounted for on the Equity Method	**13,414**	**—**	10,667	—
Non-Interest Expenses	**973,683**	**952,075**	867,131	852,376
Balance of Revenue after Provision for Income Taxes	**$ 250,319**	**$ 233,902**	$ 182,443	$ 168,822
Net Income Attributable to Minority Interest in Subsidiaries	**1,511**	**—**	2,231	—
Balance of Revenue after Taxes and after Minority Interest	**$ 248,808**	**$ 233,902**	$ 180,212	$ 168,822
—Per Share	**$ 6.80**	**$ 6.39**	$ 4.93	$ 4.61

The Royal Bank of Canada
Major Operating Subsidiaries

	Consolidated Statutory Basis	Consolidated Pro Forma	Equity Basis Pro Forma
Canada and U.S.A.			
Banks		The Royal Bank and Trust Company	
Others		Globe Realty Limited RoyLease Limited RoyMarine Leasing Limited	Aetna Financial Services Limited RoyMark Financial Services Limited RoyMor Ltd. RoyNat Limited
Latin America & Caribbean			
Banks	The Royal Bank of Canada International Limited	The Royal Bank Jamaica Limited	Banco Internacional S.A. Banco Royal Colombiano The Royal Bank of Trinidad & Tobago Limited
Trust Companies		Royal Bank Trust Company (Barbados) Limited Royal Bank Trust Company (Guyana) Limited Royal Bank Trust Company (Jamaica) Limited	
Middle East, Africa, Asia and Australia			
Banks	The Royal Bank of Canada (Middle East) S.A.L.		
Merchant Banks	RoyEast Investments Limited RoyMidEast Investments Limited	Equator Bank Limited	
Others	RoyAust Limited	InchRoy Credit Corporation Limited	Cathay Trust Company Limited Industrial Resources Sdn. (Bhd.)
Europe			
Banks	The Royal Bank of Canada (Channel Islands) Limited The Royal Bank of Canada (France)	Bankhaus Burgardt und Bröckelschen AG	
Trust Companies		The Royal Bank of Canada Trust Corporation Limited	
Merchant Banks	RBC Finance B.V. RoyCan Finanz AG		Orion Bank Limited

Fully Consolidated Reporting under a New Bank Act

Our earnings would be 41 cents per share higher on the fully consolidated basis under the proposed new Bank Act. Under the regulations of the present Bank Act, the Bank is not permitted to include in its own Financial Statements the assets of companies which we control nor those with which we are affiliated, with the exception of wholly-owned foreign banks; similarly our statements cannot include their profits unless the income is paid to us in dividends. Under the new Bank Act, expected to pass into law sometime in 1979, it is proposed that chartered banks consolidate the results of those corporations which they control through ownership of more than 50 per cent of the voting stock, and that they include the appropriate share of earnings when ownership is 20 per cent or more or when the Bank has effective control of an affiliate. To give our shareholders a better understanding of the full scope of the Bank's operations, and so that they know ahead of time the probable impact of the proposed new Bank Act reporting regulations, we have included the tables on pages 36 and 37. They highlight the consolidated balance sheet and income statement according to our interpretation of the draft Bill and also, the most important subsidiaries and affiliates included in the statements.

The major differences which arise as a result of reporting on a fully consolidated basis rather than statutory are: first, the overall size of the Bank is increased by $1.1 billion or 3 per cent to $42.0 billion on October 31, 1978. Secondly, Balance of Revenue after tax is $248.8 million, $14.9 million or 6 per cent higher. And lastly, earnings per share are increased to $6.80 per share for 1978, 41¢ higher than is reported on the current statutory basis.

The total capital of the Bank, debentures, accumulated appropriations and equity including minority interest, at the year-end as stated on a fully consolidated basis was $1,900 million, $82 million higher than on the statutory statements. Total deposits on the consolidated basis are $839 million higher, and as a result, the Bank's deposit to capital ratio at the year-end on a fully consolidated basis is 19.9 to 1 versus 20.3 to 1 on the statutory statements.

Statement of Revenue, Expenses and Undivided Profits

	Year Ended October 31, 1978	Year Ended October 31, 1977
Revenue		
Income from loans	**$2,838,446,291**	$2,283,792,091
Income from securities	**297,574,368**	234,900,092
Other operating revenue	**258,356,382**	225,332,634
Total Revenue	**3,394,377,041**	2,744,024,817
Expenses		
Interest on deposits and bank debentures	**2,081,100,121**	1,617,026,662
Salaries, pension contributions and other staff benefits	**536,793,156**	484,342,423
Property expenses, including depreciation	**151,075,453**	133,571,919
Other operating expenses, including a provision of $92,856,400 ($81,449,150 in 1977) for losses on loans based on five-year average loss experience	**264,206,662**	234,461,466
Total Expenses	**3,033,175,392**	2,469,402,470
Balance of revenue	**361,201,649**	274,622,347
Provision for income taxes relating thereto (note 3)	**127,300,000**	105,800,000
Balance of revenue after provision for income taxes (per share 1978—$6.39; 1977—$4.61)	**233,901,649**	168,822,347
Appropriation for losses	**97,000,000**	70,000,000
Balance of profits for the year	**136,901,649**	98,822,347
Dividends (per share 1978—$1.56½; 1977—$1.38)	**57,264,182**	50,494,909
Amount carried forward	**79,637,467**	48,327,438
Undivided profits at beginning of year	**1,548,785**	1,221,347
Transfer from accumulated appropriations for losses	**145,000,000**	75,000,000
	226,186,252	124,548,785
Transferred to Rest Account	**225,000,000**	123,000,000
Undivided profits at end of year	**$ 1,186,252**	$ 1,548,785

Statement of Assets and Liabilities

Assets	October 31, 1978	October 31, 1977
Cash and due from banks	**$ 7,533,153,521**	$ 6,174,282,100
Cheques and other items in transit, net	**613,988,221**	990,756,441
Total Cash Resources	**8,147,141,742**	7,165,038,541
Securities issued or guaranteed by Canada, at amortized value	**2,255,759,711**	2,039,696,850
Securities issued or guaranteed by provinces, at amortized value	**55,025,476**	67,323,627
Other securities, not exceeding market value	**2,254,063,820**	1,296,043,093
Total Securities	**4,564,849,007**	3,403,063,570
Day, call and short loans to investment dealers and brokers, secured	**366,899,453**	550,430,435
Other loans, including mortgages, less provision for losses	**25,079,678,047**	21,268,746,026
Total Loans	**25,446,577,500**	21,819,176,461
Bank premises, at cost less accumulated depreciation	**474,625,919**	413,273,134
Securities of and loans to corporations controlled by the bank	**374,934,732**	235,494,686
Customers' liability under acceptances, guarantees and letters of credit, as per contra	**1,861,855,546**	1,289,091,017
Other assets	**34,531,984**	25,196,946
	$40,904,516,430	$34,350,334,355

Liabilities	October 31, 1978	October 31, 1977
Deposits by Canada	$ 1,105,037,174	$ 663,261,289
Deposits by provinces	209,090,359	198,184,395
Deposits by banks	7,263,568,108	5,925,657,668
Personal savings deposits payable after notice, in Canada, in Canadian currency	12,128,960,345	10,798,786,699
Other deposits	16,283,902,903	13,794,023,954
Total Deposits	36,990,558,889	31,379,914,005
Acceptances, guarantees and letters of credit	1,861,855,546	1,289,091,017
Other liabilities	234,098,128	166,548,859
Total Sundry Liabilities	2,095,953,674	1,455,639,876
Debentures issued and outstanding (note 2)	413,666,000	353,891,000
Accumulated appropriations for losses	325,470,815	306,659,889
Shareholders' Equity		
Capital stock:		
Authorized—50,000,000 shares of $2 each—$100,000,000		
Issued and fully paid—36,590,400 shares	73,180,800	73,180,800
Rest Account, increased by a transfer from undivided profits of $225,000,000 (1977-$123,000,000)	1,004,500,000	779,500,000
Undivided profits	1,186,252	1,548,785
Total Shareholders' Equity	1,078,867,052	854,229,585
	$40,904,516,430	$34,350,334,355

W. EARLE McLAUGHLIN,
Chairman of the Board and Chief Executive Officer

R. A. UTTING,
Executive Vice-President and Chief General Manager

Statement of Accumulated Appropriations for Losses

	Year Ended October 31, 1978	Year Ended October 31, 1977
Accumulated appropriations at beginning of year		
General appropriations	**$ 54,819,266**	$ 42,048,737
Tax-paid appropriations	**251,840,623**	247,897,990
Total	**306,659,889**	289,946,727
Changes during the year		
Appropriation from current year's operations	**97,000,000**	70,000,000
Excess of provision for losses on loans based on five-year average loss experience (included in other operating expenses) over loss experience on loans for the year	**30,070,694**	6,268,229
Profits and losses on securities, including provisions to reduce securities other than those of Canada and the provinces to values not exceeding market	**10,231,975**	11,750,718
Other profits, losses and non-recurring items, net	**6,737,257**	4,238,215
Provision for income taxes, including credit of $21,300,000 (nil in 1977) relating to appropriation from current year's operations (note 3)	**19,771,000**	(544,000)
Transferred to undivided profits	**(145,000,000)**	(75,000,000)
Total	**18,810,926**	16,713,162
Accumulated appropriations at end of year		
General appropriations	**122,030,948**	54,819,266
Tax-paid appropriations	**203,439,867**	251,840,623
Total	**$325,470,815**	$306,659,889

Auditors' Report

**To the Shareholders,
The Royal Bank of Canada:**

We have examined the statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1978 and the related statements of revenue, expenses and undivided profits and accumulated appropriations for losses for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Bank as at October 31, 1978 and its revenue, expenses and undivided profits and its accumulated appropriations for losses for the year then ended.

Montreal, November 27, 1978

DOUGLAS J. LOW, C.A.
of Deloitte Haskins & Sells
W. DOUGLAS LENNOX, C.A.
of Price Waterhouse & Co.

Notes to the Financial Statements

1. The financial statements include the assets and liabilities and results of operations of those significant subsidiaries whose accounts are permitted by the provisions of the Bank Act to be consolidated with those of the Bank, namely:

The Royal Bank of Canada (France)
The Royal Bank of Canada (Middle East) S.A.L.
The Royal Bank of Canada International Limited and subsidiaries
RBC Houdstermaatschappij B.V.
RBC Holdings B.V.
RoyEast Investments Limited
RBC Finance B.V.
RoyAust Limited
The Royal Bank of Canada (Channel Islands) Limited and subsidiaries
RoyMidEast Investments Limited
RoyCan Finanz AG

As required by the Bank Act, the statements of assets and liabilities of significant subsidiaries not consolidated are included separately in these annual statements.

2. The debentures are subordinated to the claims of depositors and other creditors and consist of:

Maturity	Rate		1978	1977
April 1, 1982	8¾%	Callable on or after April 1, 1981	**$ 35,000,000**	$ 35,000,000
February 15, 1984	8%	Callable on or after February 15, 1982	**40,000,000**	40,000,000
June 1, 1986	9¼%		**60,000,000**	—
June 1, 1987	9%		**75,000,000**	75,000,000
December 1, 1987	7½%	Maturity on June 1, 1979 at the option of the holder and callable on or after December 1, 1982	**50,000,000***	50,000,000*
April 1, 1988	9½%	Callable on or after April 1, 1984	**35,000,000***	35,000,000*
April 15, 1991	7%	Callable on or after April 15, 1983	**3,666,000***	3,891,000*
February 15, 1992	9%	Callable on or after February 15, 1985	**40,000,000***	40,000,000*
December 1, 1994	10%	Maturity on December 1, 1984 at the option of the holder and callable on or after that date	**75,000,000***	75,000,000*
			$413,666,000	$353,891,000

*Subject to sinking fund provisions.

3. In 1978, of the $97,000,000 appropriation for losses from current year's operations, approximately $44,000,000 is deductible for income tax purposes and the resulting reduction in income taxes of $21,300,000 has been reflected in the statement of accumulated appropriations for losses.

The total tax provision for the year of $107,529,000 ($106,344,000 in 1977) is included in the financial statements as follows:

	1978	1977
In the statement of revenue, expenses and undivided profits	**$127,300,000**	$105,800,000
In the statement of accumulated appropriations for losses:		
Related to tax deductible appropriations	**($ 21,300,000)**	—
Related to taxable capital gains on securities and other transactions	**1,529,000**	544,000
	($ 19,771,000)	$ 544,000
Total tax provision for the year	**$107,529,000**	$106,344,000

4. In connection with the agreement by Globe Realty Limited, a wholly owned subsidiary of the Bank, to sell $160,000,000 $1.88 Cumulative Redeemable Preferred Shares Series A of Globe Realty Limited (exchangeable at the option of the Bank into Bank Preferred Shares when and if revisions to the Bank Act so permit), the Bank will covenant to ensure that Globe Realty Limited has sufficient distributable surplus and available cash to enable it to make all payments of dividends and other distributions in respect of such shares. The Bank will also agree to use all reasonable efforts to purchase in each calendar quarter commencing January 1, 1979, 48,000 such preferred shares, if available, at prices not exceeding $25 per share.

5. The Bank has been subject to the Federal Anti-Inflation legislation relative to prices, profits, compensation and dividends through October 31, 1978. In the opinion of management the Bank has operated in compliance with the legislation and supporting regulations.

The Royal Bank and Trust Company

(Incorporated under the laws of the State of New York)
Condensed Statement as at October 31, 1978
(In U.S. Dollars; Canadian equivalent $1.164)

Assets		Liabilities	
Cash and due from banks	$ 23,480,779	Deposits, demand	$ 73,304,498
United States Government securities, at amortized value	13,997,442	Deposits, time	92,152,066
Other securities, at amortized value	39,769,859	Deposits by banks	3,196,948
Loans and advances, less provision for losses	112,931,232	Letters of credit	12,951,145
Real estate, buildings and equipment, at cost less accumulated depreciation	6,740,158	Other liabilities	3,291,304
Customers' liability under letters of credit	12,951,145	Capital stock fully paid (100,000 shares of $100 each)	10,000,000
Other assets	3,648,087	Surplus Fund (note 2)	2,757,000
		Reserve for depreciation of securities	1,041,000
		Undivided profits	14,824,741
	$213,518,702		$213,518,702

NOTES: (1) The Royal Bank of Canada owns the entire capital stock of The Royal Bank and Trust Company with the exception of the directors' qualifying shares.This investment is carried on the books of the Bank at Can. $11,626,527.

(2) Under New York Banking Law the Surplus Fund is not available for the payment of dividends. The Fund must be built up to 65% of capital stock and until this has been accomplished transfers of not less than 10% of each year's net income must be made to the Fund.

Globe Realty Limited

(Incorporated under the laws of Canada)
(Formerly Globe Realty Corporation, Limited)
and its wholly owned subsidiary companies
Globe Building Corporation
Globe Realty Management Limited
Condensed Consolidated Statement as at October 31, 1978
(In Canadian Dollars)

Assets		Liabilities	
Cash in bank	$ 292,790	Accounts payable and other liabilities	$ 362,870
Real estate, buildings and equipment, at cost less accumulated depreciation (note 2)	54,847,480	Short-term promissory notes	33,477,834
Other assets	219,814	The Royal Bank of Canada	2,826,107
		Capital stock fully paid (40,320 shares of no par value)	4,032,000
		Retained earnings	14,661,273
	$ 55,360,084		$ 55,360,084

NOTES: (1) The Royal Bank of Canada owns the entire capital stock of Globe Realty Limited. This investment is carried on the books of the Bank at $1,614,000.

(2) In accordance with agreements providing for the leasing of certain lands to third parties, Globe Realty Limited has pledged lands having a cost of $8,826,417 as part of the security for mortgages arranged by the third parties on the properties. The terms of the agreements provide that buildings on these lands become the property of the Company at the expiration of the leases.

(3) On November 14, 1978, Globe Realty Limited entered into an agreement to sell to underwriters, 6,400,000 $1.88 Cumulative Redeemable Preferred Shares Series A for an aggregate consideration of $160,000,000, which after deducting underwriting commission and estimated expenses of issue will net approximately $155,000,000.

Bankhaus Burgardt & Bröckelschen AG

(Incorporated under the laws of the Federal Republic of Germany)
Condensed Statement as at September 30, 1978
(In Deutschemarks; Canadian equivalent $.61)

Assets		Liabilities	
Cash and due from banks	DM292,057,551	Deposits by banks	DM409,541,406
Securities, at lower of cost and market	63,195,427	Other deposits	193,755,036
Loans and advances, less provision for losses	309,419,856	The Royal Bank of Canada	20,000,000
Real estate, buildings and equipment, at cost less accumulated depreciation	4,900,332	Acceptances, guarantees and letters of credit	137,980,093
Customers' liability under acceptances, guarantees and letters of credit	137,980,093	Other liabilities	5,814,163
Other assets	1,540,208	Capital stock fully paid (2,349 shares of DM10,000 each and 2 shares of DM5,000 each	23,500,000
		Share premium	4,000,000
		Statutory reserve	495,600
		Undivided profits	14,007,169
	DM809,093,467		DM809,093,467

NOTE: The Royal Bank of Canada owns 67% of the capital stock of Bankhaus Burgardt & Bröckelschen AG. This investment is carried on the books of the Bank at Can. $16,002,301.

The Royal Bank of Canada Holdings (U.K.) Limited

(Incorporated under the laws of Great Britain)
and its wholly owned subsidiary company
The Royal Bank of Canada Trust Corporation Limited
Condensed Consolidated Statement as at September 30, 1978
(In Sterling; Canadian equivalent $2.335)

Assets		Liabilities	
Cash and due from banks	£12,326,284	Deposits	£19,789,776
Securities, at cost	668,552	Accounts payable and other liabilities	83,094
Loans and advances	78,248,800	The Royal Bank of Canada	66,185,070
Other assets	630,788	Capital stock fully paid (3,750,000 shares of £1 each)	3,750,000
		Surplus	2,066,484
	£91,874,424		£91,874,424

NOTE: The Royal Bank of Canada owns the entire capital stock of The Royal Bank of Canada Holdings (U.K.) Limited. This investment is carried on the books of the Bank at Can. $9,063,750.

The Royal Bank Jamaica Limited

(Incorporated under the laws of Jamaica)
and its wholly owned subsidiary company
Royal Bank Trust Company (Jamaica) Limited
Condensed Consolidated Statement as at September 30, 1978
(In Jamaican Dollars; Canadian equivalent $.734)

Assets		Liabilities	
Cash and due from banks	$ 4,352,466	Deposits	$137,608,840
The Royal Bank of Canada	3,620,584	Acceptances, guarantees and letters of credit	29,037,555
Cheques and other items in transit, net	4,802,950	Other liabilities	16,516,691
Securities, at cost	33,047,949	Capital stock fully paid (3,000,000 stock units of $1 each)	3,000,000
Loans and advances, less provision for losses	94,490,373	Capital reserve (note 2)	1,075,645
Real estate, buildings and equipment, at cost or valuation less accumulated depreciation	4,380,775	Statutory reserve	2,050,000
Customers' liability under acceptances, guarantees and letters of credit	29,037,555	Surplus	663,463
Other assets	16,219,542		
	$189,952,194		$189,952,194

NOTES: (1) The Royal Bank of Canada owns 75% of the capital stock of The Royal Bank Jamaica Limited. This investment is carried on the books of the Bank at Can. $1,675,292.

(2) The capital reserve arises from the independent appraisal of the real estate and buildings.

RoyLease Limited

(Incorporated under the laws of Canada)
Condensed Statement as at October 31, 1978
(In Canadian Dollars)

Assets		Liabilities	
Receivable under lease agreements less unearned income of $45,866,093	$136,976,183	Accounts payable	$ 4,801,562
Preliminary outlays for leased assets	2,651,812	Short-term promissory notes	35,058,731
	139,627,995	Term bank loans	897,369
Provision for losses	(1,599,831)	The Royal Bank of Canada	88,283,471
	138,028,164	Deferred income taxes	6,014,962
Advances to affiliate— RoyMarine Leasing Limited	2,885,923	Capital stock fully paid (600,000 common shares of no par value)	6,000,000
Other assets	519,095	Retained earnings	377,087
	$141,433,182		$141,433,182

NOTE: The Royal Bank of Canada owns the entire capital stock of RoyLease Limited. This investment is carried on the books of the Bank at $11,545,000.

RoyMarine Leasing Limited

(Incorporated under the laws of Canada)
Condensed Statement as at October 31, 1978
(In Canadian Dollars)

Assets		Liabilities	
Receivable under lease agreements less unearned income of $9,155,845	$22,139,291	Accounts payable	$ 1,172,026
Amount due under conditional sales agreements less unearned income of $4,962,534	20,832,744	Advances from affiliate—RoyLease Limited	2,885,923
Secured loans	27,198,134	Long-term debt	54,641,171
Accrued interest	423,003	The Royal Bank of Canada	2,124,000
Other assets	623,465	Deferred income taxes	2,231,468
		Capital stock fully paid (750,000 shares of no par value)	7,680,000
		Retained earnings	482,049
	$71,216,637		$71,216,637

NOTE: The Royal Bank of Canada owns the entire capital stock of RoyMarine Leasing Limited. This investment is carried on the books of the Bank at $8,506,895.

Auditors' Report

To the Shareholders,
The Royal Bank of Canada:

We have examined the statements of assets and liabilities of controlled corporations of The Royal Bank of Canada as at the dates indicated. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the corporations as at the dates indicated.

Montreal, November 27, 1978

DOUGLAS J. LOW, C.A.
of Deloitte Haskins & Sells
W. DOUGLAS LENNOX, C.A.
of Price Waterhouse & Co.

Selected Statistical Data

Ten-Year Analytical Review

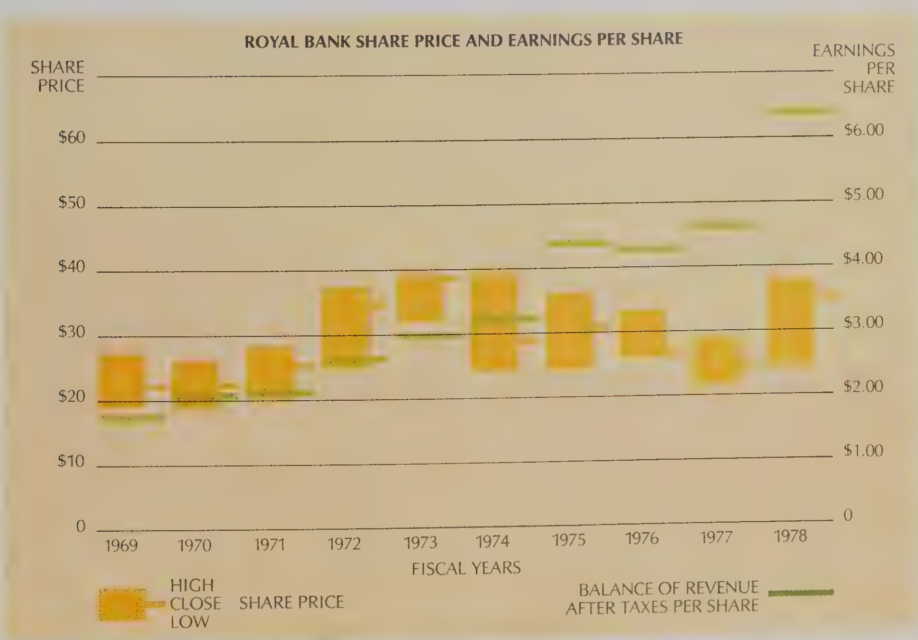
	1978	1977	1976	1975	1974
Revenue and Expenses as a per cent of total average assets					
Total average assets (millions)	**$37,514**	$31,763	$26,763	$23,393	$20,344
Spread	**2.812%**	2.839%	3.016%	3.107%	2.744%
Other operating revenue	**.689%**	.709%	.741%	.767%	.676%
Non-interest expenses	**2.538%**	2.684%	2.757%	2.643%	2.383%
Provision for income taxes	**.339%**	.333%	.411%	.576%	.510%
Balance of revenue after tax	**.624%**	.532.%	.588%	.655%	.527%
Share information					
Shares outstanding (thousands) (1)	**36,590**	36,590	36,576	34,925	33,264
Balance of revenue after tax	**$ 6.39**	$ 4.61	$ 4.30	$ 4.39	$ 3.22
Dividends	**$ 1.565**	$ 1.38	$ 1.30	$ 1.23	$ 1.10
Share price (2) high	**$ 38**	$ 28⅝	$ 33½	$ 36½	$ 39¼
low	**$ 24⅜**	$ 22¾	$ 26¼	$ 24⅜	$ 24¼
close	**$ 35**	$ 24¾	$ 27	$ 30¾	$ 28¾
Book value (3)	**$ 38.38**	$ 31.73	$ 27.90	$ 25.23	$ 22.95
Price earnings ratio (4) high	**5.9**	6.2	7.8	8.3	12.2
low	**3.8**	4.9	6.1	5.6	7.5
Dividend yield (5)	**5.0%**	5.4%	4.4%	4.0%	3.5%
Other information					
Deposit to capital ratio (6)	**20.3:1**	20.7:1	20.4:1	20.4:1	21.9:1
Return on equity (7)	**18.2%**	15.5%	16.2%	18.4%	14.4%
Number of shareholders	**31,503**	32,276	32,079	32,329	31,345
Number of employees (8)	**35,660**	35,335	34,429	32,464	31,094
Number of branches (9)	**1,600**	1,595	1,567	1,524	1,470

Quarterly Perspective
(in thousands except per share)

Year	Fiscal Quarter	Spread	Other Operating Revenues	Non-Interest Expenses	Balance of Revenue after Tax	Balance of Revenue after Tax Per Share	Dividends Per Share
1977	I	$ 215,133	$ 55,433	$198,944	$ 44,522	$1.22	$ .34½
1977	II	214,893	55,357	209,110	38,540	1.05	.34½
1977	III	229,419	56,186	221,767	39,238	1.07	.34½
1977	IV	242,219	58,357	222,554	46,522	1.27	.34½
1977	Full Year	$ 901,664	$225,333	$852,375	$168,822	$4.61	$ 1.38
1978	I	$ 251,451	$ 60,088	$230,823	$ 51,716	$1.41	$ .36½
1978	II	250,211	62,570	233,508	52,273	1.43	.37½
1978	III	264,714	62,858	243,679	53,893	1.47	.37½
1978	IV	288,545	72,840	244,065	76,020	2.08	.45
1978	**Full Year**	**$1,054,921**	**$258,356**	**$952,075**	**$233,902**	**$6.39**	**$1.56½**

	1973	1972	1971	1970	1969
	$16,271	$13,847	$12,076	$10,702	$ 9,300
	2.845%	2.744%	2.746%	2.900%	2.907%
	.709%	.726%	.737%	.798%	.831%
	2.373%	2.275%	2.320%	2.350%	2.444%
	.571%	.565%	.576%	.701%	.668%
	.610%	.630%	.587%	.647%	.626%
	33,264	33,264	33,264	33,264	33,264
	$ 2.98	$ 2.62	$ 2.13	$ 2.08	$ 1.75
	$ 1.02	$ .96	$ .88	$ .86	$ .77
	$ 39⅛	$ 37½	$ 28⅜	$ 26⅛	$ 27¼
	$ 32⅛	$ 25⅛	$ 20¾	$ 18⅞	$ 19
	$ 38⅜	$ 34¾	$ 25⅜	$ 22⅜	$ 22¼
	$ 21.80	$ 19.79	$ 17.86	$ 16.58	$ 15.78
	13.1	14.3	13.3	12.6	15.6
	10.8	9.6	9.7	9.1	10.9
	2.9%	3.1%	3.6%	3.8%	3.3%
	19.8:1	18.5:1	17.6:1	18.7:1	17.7:1
	14.3%	13.9%	12.4%	12.9%	11.5%
	31,562	31,600	32,239	34,154	35,140
	28,225	25,701	24,435	24,306	23,181
	1,409	1,393	1,366	1,312	1,264

(1) Weighted monthly average of equivalent fully paid shares outstanding.
(2) High and low price of shares traded on the Toronto Stock Exchange during the fiscal year and closing price on last trading day of October.
(3) Shareholders' equity plus accumulated appropriations for losses divided by the number of equivalent fully paid shares outstanding at fiscal year-end.
(4) High and low share price divided by balance of revenue after tax per share.
(5) Dividends per share divided by average of high and low share price.
(6) Total deposits to total capital (shareholders' equity, accumulated appropriations for losses and debentures) at fiscal year-end.
(7) Balance of revenue after tax divided by shareholders' equity plus accumulated appropriations for losses.
(8) Regular staff of The Royal Bank of Canada, not including consolidated subsidiaries. As a result of local incorporation of our operations in several countries assets, number of branches and number of staff cease to be included in reported figures. The approximate number of staff affected are:
1971—Venezuela-230;
1972—Jamaica-230; Trinidad & Tobago-345;
1977—Colombia-230.
(9) The number of branches dropped because of local incorporation are: 1971, Venezuela-6; 1972, Jamaica-14, Trinidad & Tobago-15; 1977, Colombia-9.

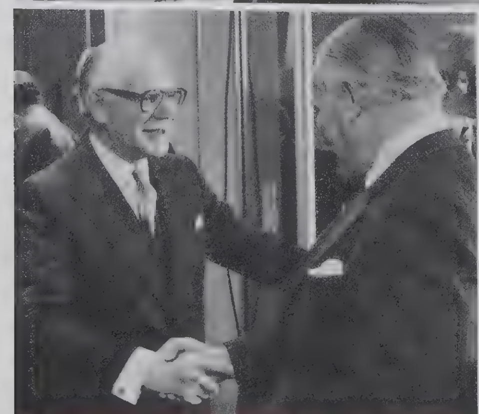


For the information of shareholders, the valuation day, December 22, 1971, value of the Bank's capital stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is $29.50.

(in thousands)

Assets and Liabilities	1978	1977	1976	1975
Assets				
Cash resources	$ 8,147,142	$ 7,165,038	$ 6,239,013	$ 5,348,281
Securities	4,564,849	3,403,064	3,185,296	2,576,057
Loans including day loans	25,446,577	21,819,176	17,825,430	15,816,493
Bank premises (net)	474,626	413,273	332,449	237,253
Other assets	2,271,322	1,549,783	1,249,398	1,233,047
Total	$40,904,516	$34,350,334	$28,831,586	$25,211,131
Liabilities				
Deposits	$36,990,559	$31,379,914	$26,290,831	$22,870,875
Sundry liabilities	2,095,954	1,455,640	1,249,906	1,219,866
Debentures	413,666	353,891	270,000	200,000
Accumulated appropriations for losses	325,470	306,660	289,947	277,113
Shareholders' equity	1,078,867	854,229	730,902	643,277
Total	$40,904,516	$34,350,334	$28,831,586	$25,211,131
Revenue & Expenses				
Income from loans	$ 2,838,446	$ 2,283,792	$ 2,020,941	$ 1,793,722
Income from securities	297,575	234,900	218,046	189,703
Sub-Total	3,136,021	2,518,692	2,238,987	1,983,425
Interest paid on deposits	2,081,100	1,617,028	1,431,877	1,256,592
Spread	1,054,921	901,664	807,110	726,833
Other Operating Revenue	258,356	225,333	198,245	179,378
Staff Costs	536,793	484,342	428,391	362,099
Property Expenses	151,076	133,572	111,866	88,003
Loan Loss Provision	92,856	81,449	66,503	49,954
Other Expenses	171,350	153,012	131,206	118,283
Non-Interest Expenses	952,075	852,375	737,966	618,339
Balance of Revenue	361,202	274,622	267,389	287,872
Provision for Income Taxes	127,300	105,800	110,000	134,630
Balance of Revenue after Taxes	$ 233,902	$ 168,822	$ 157,389	$ 153,242
Dividends	$ 57,264	$ 50,495	$ 47,751	$ 43,751

1974	1973	1972	1971	1970	1969
$ 4,563,183	$ 5,338,982	$ 3,688,244	$ 3,003,367	$ 2,648,853	$ 2,293,326
2,812,869	2,143,978	2,296,048	2,258,855	1,875,637	1,703,127
12,713,031	9,972,051	8,111,053	6,973,914	6,166,013	5,752,525
168,306	137,749	119,920	117,346	96,815	93,286
1,412,491	770,775	552,251	600,096	581,305	353,895
$21,669,880	$18,363,535	$14,767,516	$12,953,578	$11,368,623	$10,196,159
$19,441,373	$16,800,301	$13,537,382	$11,772,301	$10,303,212	$ 9,308,225
1,340,098	713,124	496,985	512,240	513,921	363,189
125,000	125,000	75,000	75,000	—	—
246,623	233,835	215,840	186,193	160,465	149,733
516,786	491,275	442,309	407,844	391,025	375,012
$21,669,880	$18,363,535	$14,767,516	$12,953,578	$11,368,623	$10,196,159
$ 1,613,365	$ 1,015,923	$ 728,294	$ 664,348	$ 686,322	$ 514,139
166,220	120,510	114,300	119,776	111,953	104,641
1,779,585	1,136,433	842,594	784,124	798,275	618,780
1,221,258	673,477	462,656	452,540	487,885	348,403
558,327	462,956	379,938	331,584	310,390	270,377
137,569	115,364	100,534	88,953	85,434	77,303
291,197	233,661	181,681	166,342	150,509	138,394
70,503	56,730	48,857	45,235	41,147	36,757
30,972	21,649	18,708	14,093	10,680	10,813
92,222	74,136	65,727	54,485	49,208	41,386
484,894	386,176	314,973	280,155	251,544	227,350
211,002	192,144	165,499	140,382	144,280	120,330
103,800	92,900	78,286	69,500	75,000	62,100
$ 107,202	$ 99,244	$ 87,213	$ 70,882	$ 69,280	$ 58,230
$ 36,590	$ 33,929	$ 31,933	$ 29,272	$ 28,607	$ 25,613



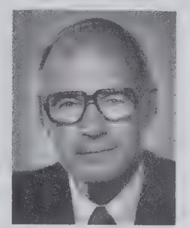
W. Earle McLaughlin, Chairman of the Board, chose the occasion of the Bank's 110th Annual Meeting to announce his retirement as Chief Executive Officer. The post, which he has held for eighteen years, during which time the Bank grew tenfold, will be assumed by Rowland C. Frazee, President. "I can assure you," Mr. McLaughlin said, "that your Bank will be in experienced and competent hands."

In his speech, which some observers felt was the finest of his career, Mr. McLaughlin made a stirring appeal for national unity and a positive spirit. "I think all of us Canadians have much to be grateful for," he said. "Canada can and will survive and go on to new strength and maturity as one of the world's most blessed nations ... if her people approach the future with all the confidence, pride, enthusiasm and drive they are capable of. Canada deserves nothing less."

Chairman of the Board

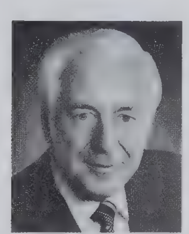
W. Earle McLaughlin
Montreal
Chairman of the Board,
The Royal Bank of Canada

President and Chief Executive Officer



Rowland C. Frazee
Montreal
President and Chief Executive Officer,
The Royal Bank of Canada

Vice-Chairmen of the Board



Jock K. Finlayson
Montreal
Vice-Chairman,
The Royal Bank of Canada

W.D.H. Gardiner
Toronto
Vice-Chairman,
The Royal Bank of Canada

H.E. Wyatt
Calgary
Vice-Chairman,
The Royal Bank of Canada

Vice-Presidents

W.O. Twaits, C.C.
Toronto
Company Director

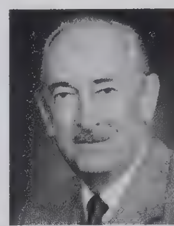
Ian D. Sinclair
Montreal
Chairman and Chief Executive Officer,
Canadian Pacific Limited

The Rt. Hon.
Lord Adeane
London, England
Company Director

D.S. Anderson
Toronto
Chairman,
Canada Realties
Limited

John A. Armstrong
Toronto
President,
Chief Executive and
Chairman of the Board,
Imperial Oil Limited

Ian A. Barclay
Vancouver
Chairman and
Chief Executive Officer,
British Columbia Forest
Products Limited



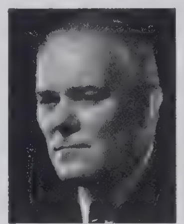
T.J. Bell, M.C.
Toronto
Chairman of the Board
and Chief Executive
Officer,
Abitibi Paper
Company Ltd.

G.H. Blumenauer
Hamilton
Chairman and
President,
Otis Elevator
Company Limited

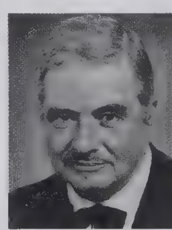
G. Allan Burton,
D.S.O., E.D., LL.D.
Toronto
Chairman and
Chief Executive Officer,
Simpsons, Limited

R.B. Cameron, O.C.,
D.S.O.
Halifax
Chairman,
Maritime Steel and
Foundries Limited

John H. Coleman
Toronto
President,
J.H.C. Associates
Limited



F.B. Common, Jr., Q.C.
Montreal
Partner,
Ogilvy, Montgomery,
Renault, Clarke,
Kirkpatrick, Hannon &
Howard



F.M. Covert, O.B.E.,
D.F.C., Q.C.
Halifax
Partner,
Stewart, MacKeen &
Covert

Camille A. Dagenais
Montreal
Chairman and
Chief Executive Officer,
The SNC Group

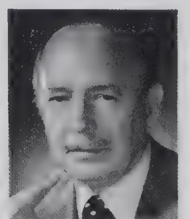
L.G. DesBrisay
Moncton
President,
Blakeny & Son Ltd.

Mrs. Mitzi S. Dobrin
Montreal
Group Vice-President
and General Manager,
Steinberg Inc.

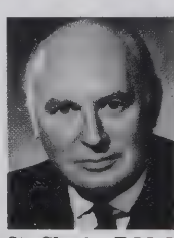
J.E.L. Duquet, Q.C.
Montreal
Senior Partner,
Duquet & Bronstetter

G. Campbell Eaton,
O.C., M.C., LLD., C.D.
St. John's, Nfld.
Managing Director,
Newfoundland Tractor
& Equipment Co., Ltd.

Kelly H. Gibson
Calgary
Chairman of the Board,
Foothills Pipe Lines
(Yukon) Ltd.



Floyd D. Hall
New York
Chairman of the
Executive Committee,
International Air
Transport Association



Sir Charles E.M. Hardie,
C.B.E.
London, England
Partner,
Dixon, Wilson &
Company

David S. Holbrook
Toronto
Consultant

Walter F. Light
Montreal
President,
Northern Telecom
Limited

L.G. Lumbers
Toronto
Chairman of the Board,
Noranda Manufacturing Ltd.

P.L.P. Macdonnell, Q.C.
Edmonton
Partner,
Milner & Steer

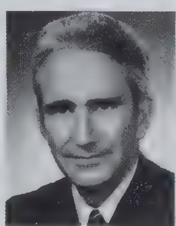
Clifford S. Malone
Montreal
President and Chief Executive Officer,
Canron Inc.

F.C. Mannix
Calgary
Company Director

J. Pierre Maurer
New York
Executive Vice-President,
Metropolitan Life

Mrs. Dawn R. McKeag
Winnipeg
President,
Walford Investments Ltd.

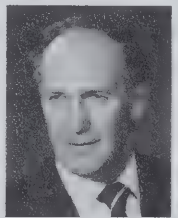
J.P. Monge
New York
Chairman,
Amcan Group, Inc.



Pierre A. Nadeau
Montreal
Chairman of the Board and Chief Executive Officer,
Petrofina Canada Ltd.

Paul Paré
Montreal
President,
Imasco Limited

Neil F. Phillips, Q.C.
Montreal
Partner,
Phillips & Vineberg

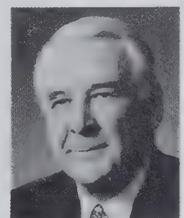


Herbert C. Pinder
Saskatoon
President,
Saskatoon Trading Company Limited

Claude Pratte, Q.C.
Quebec
Advocate

L. Merrill Rasmussen
Calgary
President and Chief Executive Officer,
Pacific Petroleums Ltd.

Charles I. Rathgeb
Toronto
Chairman and Chief Executive Officer,
Comstock International Ltd.

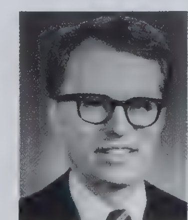


A.M. Runciman
Winnipeg
President,
United Grain Growers Limited

Pierre A. Salbaing
Montreal
President and Managing Director,
Canadian Liquid Air Ltd.

P.R. Sandwell
Vancouver
Chairman,
Sandwell and Company Limited

P.N. Thomson
Coral Harbour, Bahamas
Chairman,
T.I.W. Industries Ltd.



John A. Tory, Q.C.
Toronto
President,
The Thomson Corporation Limited

C.N. Woodward
Vancouver
Chairman of the Board,
Woodward Stores Limited

Chairman of the Board
W. Earle McLaughlin

President and Chief Executive Officer
Rowland C. Frazee

Vice-Chairman
J.K. Finlayson

Vice-Chairman
W.D.H. Gardiner (Toronto)

Vice-Chairman
H.E. Wyatt (Calgary)

Executive Vice-President and Chief General Manager
R.A. Utting

Head Office

Executive Vice-Presidents and General Managers
J.C. McMillan (National Accounts)
A.H. Michell (Canada)
R.C. Paterson (Finance & Investments)
A.R. Taylor (International)

Senior Vice-Presidents
P.A. Fréchette
A.G. Halliwell

Vice-Presidents
G.C. Aitken (Toronto)
R.L. Arsenault
J.E. Cleghorn
L.E. Gillmoure
H.S. Hardy
A.H. MacKenzie
J.A. Milburn
R.M. Mitchell
M.J. Regan
R.G.M. Sultan
D.S. Wells

Chief Inspector
W.J. McCartney

Comptroller & Chief Accountant
K.A. Smee

RoyLease Limited/ RoyMarine Leasing Limited
R.G. Hunkin

Secretary
R.J. Moores

Assistant General Managers
E.P. Archibald
J.P. Béland
G.A. Bellevue
H.G. Buckrell
W.C. Bull
W.P. Carter
B.D. Champion
J.P. Clarke
A. Cravero
W.R. Fithern
J.C. Grant
R.F. Gulliford (Toronto)
L.M. Irvine
G.J. Johnson (Calgary)
E.W. Latimer
C.G. MacKenzie
D.C. Maltby (Toronto)
W.J.H. Nimmo (Vancouver)
E.G. Stone (Toronto)
E.D. Welland

Field Operations

Senior Vice-Presidents
W.D. Henry—British Columbia (Vancouver)
H.E. McClenaghan—Ontario (Toronto)
F.P. Paradis—Quebec (Montreal)
W.S. Snook—Ontario (Toronto)
R.G.P. Styles—Europe, Middle East & Africa (London, England)

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R.B. Ashforth (Calgary)
B.D. Gregson (Toronto)
N.H.P. Hardinge (London, England)
H.G. Hurd (Regina)
B.V. Kelly (Montreal)
B.M. Lamont (London, England)
W.A.R. MacDonald (Toronto)
J.B. McDonald (Winnipeg)
M.O.P. Morrison (Toronto)
P.J. Rossiter (Montreal)
J.C. Sinclair (Halifax)
A. de Takacsy (Paris, France)
J.M. Walker (Montreal)

Vice-President
J.G.R. Bénard—Quebec (Montreal)

Assistant General Managers
J.G. Bisaillon (Montreal)
T.W. Bleackley (Vancouver)
M.A. Brennan (Montreal)
E.R.G. Burgess (Ottawa)
G.R. Burns (Toronto)
A.M. Channell (Vancouver)
A.E. Colling (Toronto)
L.G. Edmonds (Vancouver)
W.J. Gorman (Toronto)
D.N. Kitchen (Toronto)
R.P. Lasnier (Montreal)
W.P. Lefaivre (Edmonton)
W.J. MacKay (Calgary)
J.G. Macpherson (Vancouver)
H.R. McLean (Toronto)
J.M. Messmer (Toronto)
W.E. Neapole (Calgary)
J.V. Oram (Montreal)
J.N.T. Rednall (Hong Kong)
R.B. Robertson (Toronto)
R.D. Séguin (Montreal)
C.P. de Souza (Montreal)
H.C. Stewart (Montreal)
R.A. Thomas (New York)
M.L. Turcotte (Montreal)
G.W. Wheeler (Toronto)
D.C. Williamson (Vancouver)
G.M. Youssef (Montreal)

Banking Divisions

Canada
A.H. Michell, Executive Vice-President and General Manager

Commercial Banking
A.G. Halliwell, Senior Vice-President
J.A. Milburn, Vice-President, Business Development
D.S. Wells, Vice-President, Commercial Lending
E.P. Archibald, Assistant General Manager, Commercial Lending Services
G.A. Bellevue, Assistant General Manager, Commercial Lending
J.P. Clarke, Assistant General Manager, Commercial Lending
D.C. Maltby, Assistant General Manager, Commercial Marketing (Toronto)

Retail Banking
H.S. Hardy, Vice-President
H.G. Buckrell, Assistant General Manager, Deposit and Retail Services
W.P. Carter, Assistant General Manager, Consumer Loan and Mortgage Services
B.D. Champion, Assistant General Manager, Retail Marketing
W.R. Fithern, Assistant General Manager, Chargex/Visa

Systems and Processing Operations
L.E. Gillmoure, Vice-President
J.C. Grant, Assistant General Manager
E.W. Latimer, Assistant General Manager

Real Estate Resources
R.L. Arsenault, Vice-President
L.M. Irvine, Assistant General Manager

National Accounts
J.C. McMillan, Executive Vice-President and General Manager
J.E. Cleghorn, Vice-President
J.P. Béland, Assistant General Manager (Montreal)
G.J. Johnson, Assistant General Manager (Calgary)
E.G. Stone, Assistant General Manager (Toronto)

International
A.R. Taylor, Executive Vice-President and General Manager
M.J. Regan, Vice-President
A. Cravero, Assistant General Manager

International Money Markets
R.M. Mitchell, Vice-President

Corporate Divisions

Chief Inspector's Department
W.J. McCartney, Chief Inspector

Corporate Planning and Organization
W.C. Bull, Assistant General Manager

Personnel
A.H. MacKenzie, Vice-President

Finance and Investments
R.C. Paterson, Executive Vice-President and General Manager

Investments
G.C. Aitken, Vice-President (Toronto)

R.G.M. Sultan, Vice-President

Control and Financial Planning
K.A. Smee, Comptroller and Chief Accountant

Secretariat
R.J. Moores, Secretary

RoyLease Limited/
RoyMarine Leasing Limited
R.G. Hunkin, President and Chief Executive Officer

Field Operations

Atlantic Provinces
Halifax
J.C. Sinclair, Vice-President and General Manager

Quebec
Montreal
F.P. Paradis, Senior Vice-President and General Manager
J.G.R. Bénard, Vice-President
R.D. Séguin, Assistant General Manager, Commercial Lending
H.C. Stewart, Assistant General Manager —Administration and Comptroller
J.G. Bisaillon, Assistant General Manager (Quebec West)
R.P. Lasnier, Assistant General Manager (Quebec East)
M.L. Turcotte, Assistant General Manager (Montreal Branch)

Ontario
Toronto
H.E. McClenaghan, Senior Vice-President —Ontario
W.S. Snook, Senior Vice-President—Ontario
G.W. Wheeler, Assistant General Manager, Administration

East & North
M.O.P. Morrison, Vice-President and General Manager
E.R.G. Burgess, Assistant General Manager (Ottawa Branch)

Metropolitan Toronto
B.D. Gregson, Vice-President and General Manager
G.R. Burns, Assistant General Manager, Commercial Banking
W.J. Gorman, Assistant General Manager, Commercial Marketing and Development
D.N. Kitchen, Assistant General Manager (Toronto Branch)
H.R. McLean, Assistant General Manager, Branch Banking
J.M. Messmer, Assistant General Manager, Commercial Banking

Ontario West
W.A.R. MacDonald, Vice-President and General Manager
A.E. Colling, Assistant General Manager, Commercial Banking
R.B. Robertson, Assistant General Manager, Branch Banking

Manitoba and Northwestern Ontario
Winnipeg
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G. Don Loewen, Regional Manager, Europe, Middle East and Africa

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Nassau
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K.N. Kikano, General Manager

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A. Stas de Richelle, Managing Director
R.W. Brydon, Manager, International

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J.A. Mano Silva, President
R.G. Whalin, Vice-President

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D. Higgins, President

Insmor Holdings Limited
W.P. Carter, Director

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Royal Trust Tower, Suite 3304
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Toronto, Ontario
D.R. Smith, President

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R.G. Hunkin, President

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H. Plaschna, Managing Director
O. Techau, Managing Director

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E.W. Brokes, Managing Director

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J.M. Bunting, Managing Director

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R. St. A. Sasso, Chairman & Managing Director

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R.A. Masleck, Managing Director

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N. Brewis, Managing Director

The Royal Bank Mortgage & Finance Co. Ltd.
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Port of Spain
W.O. Dasent, Managing Director

General Finance Corporation Limited
48 Park Street, P.O. Box 1325
Port of Spain

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140 London Wall, London EC2Y 5DN
T.F. Gaffney, Managing Director

Orion Bank Limited
1 London Wall, London EC2Y 5JX
The Hon. David Montagu, Chairman and Chief Executive Officer
W.N. McFadyen, Managing Director
N.C. Achen, Executive Director

Orion Leasing Holdings Limited
1 London Wall, London EC2Y 5JX
The Hon. David Montagu, Chairman
A. Knul, Managing Director

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A.J. Lara, President
H.J.W. Brophy, Vice-President

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D.R. Kester, Deputy Chairman and Managing Director

Barbados
Royal Bank Trust Company (Barbados) Limited
Cockspur House, Nile Street, Bridgetown
N.L. Smith, Manager

Cayman Islands
RoyWest Trust Corporation (Cayman) Limited
George Town, Grand Cayman
A.J.R. Howorth, Managing Director

Guyana
Royal Bank Trust Company (Guyana) Limited
Regent & Camp Streets
P.O. Box 275
Georgetown
N. Persaud, Manager

Jamaica
Royal Bank Trust Company (Jamaica) Limited
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P.O. Box 622, Kingston
G.L. Byles, Managing Director

Trinidad & Tobago
Royal Bank Trust Company (Trinidad) Limited
18 Park Street, P.O. Box 1293
Port of Spain
R.S. Prasad, General Manager

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B.A. Ramsey, General Manager
D.A. Jones, Joint General Manager

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Oil and Gas Services
Calgary, Alberta
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K.R. Kettlewell, Manager, Engineering

Canadian Branches*

Newfoundland 20/Nova Scotia 84
Prince Edward Island 6/New Brunswick 31
Quebec 230/Ontario 585/Manitoba 101
Saskatchewan 102/Alberta 145
British Columbia 206/Northwest Territories 3/Yukon 3

Total 1,516

Branches in Other Countries 84
Total (including sub-branches) 1600
*At October 31, 1978

In addition to the above, the Royal Bank has financial interest in 105 Subsidiaries and Affiliates throughout the world.

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Detailed information concerning Royal Bank representation throughout the world may be obtained from any branch of the Bank, or from the Bank's Head Office, 1 Place Ville Marie, Montreal, Canada (P.O. Box 6001, Montreal, Que., H3C 3A9 Canada). Telephone (514) 874-2110.

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